

SWISSQUOTE

ePRIVATE BANKING MAGAZINE

INTERVIEW

Peter Meier
CEO OF KUONI

THE NEW FRONTIERS OF TOURISM



THE IMPACT OF THE INTERNET

HOTELS REINVENTED

LOW-COST TAKES FLIGHT

... KUONI ... EXPEDIA ... ACCOR ... EASYJET ...

RYANAIR ... NORWEGIAN ... DUFY ... BOOKING.COM ...

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The world within your reach

London-New York one-way for \$225? Not so long ago, that deal would have sounded pretty dodgy to your average traveller. But that was before low-cost flights were massively deployed as the new credo of civil aviation. Obviously at those rates, the airline Norwegian (see p. 50) has not made its mark as a generous employer. But it is attracting attention and new customers.

As in aviation, brand new business models have been developing in tourism over the past few years. Together, these online booking platforms, collaborative accommodation services, all-encompassing interactive guides and so on have given travel consumers phenomenal power and freedom to do what they want. The consumer has become almost completely independent and all-knowing. More than ever, the world is within their reach at the click of a mouse.

For traditional travel groups, these changes represent a threat, but also offer new opportunities. To better understand what is at work behind the scenes, we met with Kuoni, the Zurich-based travel group that has become a legend in the eyes of the Swiss. Its CEO Peter Meier granted us a long interview (p. 44).

This issue's special report also features some surprise portraits, such as Basel-based Dufry. Despite being virtually unheard of to your average person, Dufry is the world's leading operator of duty-free shops (p. 53).

And we'd like to close with a word of thanks to our readers. A growing number of you are reading and enjoying Swissquote Magazine. That is what we found in the latest survey conducted by the Institute for Advertising Media Research (REMP), published on 9 September. In one year, the magazine's readership has exploded from 9,000 to 101,000. Thank you all for your loyalty!

Enjoy!

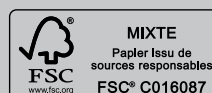


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CEO of Swissquote

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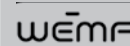
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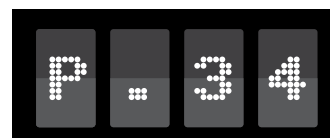
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THE NEW FRONTIERS OF TOURISM



AUTOMOBILE



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I N T E L L I G E N C E

AG AI AR BE BL BS FR GE GL GR JU LU NE NW OW SG SH SO SZ TG TI UR VD VS ZG ZH

**LINDT & SPRÜNGLI SNAGS
RUSSELL STOVER**

Lindt & Sprüngli has taken over US praline maker Russell Stover, founded in 1923. This deal makes it the third-largest chocolate maker in the United States behind Hershey and Mars. The acquisition will improve Lindt & Sprüngli's penetration into the fast-growing North American market of high-end sweets. The Zurich-based group hopes to surpass \$1.5 billion in revenue in the United States in 2015. Based in Kansas City, Russell Stover generated revenue of \$500 million last year and operates a network of 35 shops.

📷 LISN

JULIUS BAER BUYS LEUMI

Julius Baer took over the Swiss businesses of the Israeli bank Leumi. The institution employs 158 people, in Geneva and Zurich; and manages, from Latin America and Israel, 5.9 billion Swiss francs. The bank is under investigation by the US Justice Department, accused of aiding customers in tax evasion. These woes explain the deal's strikingly low price tag: Julius Baer paid a mere 10 million Swiss francs, representing 0.1% of the assets under management at the bank's Swiss branch.

📷 BAER

**SCHWEITER FLYING HIGH ON
WIND POWER**

Machine builder Schweiter Technologies saw its profits climb 28% to 28.7 million Swiss francs in the first half of 2014. Schweiter owes its excellent performance to a rise in orders, up 14% to 349.9 billion Swiss francs. Demand was high for its composite materials used in wind energy and the marine sector. The Zurich-based group also leads the niche market for winding and yarn treatment in Asia.

📷 SWTQ

HOLIDAYMAKERS SEEK HOT SPOTS

Tour operators took advantage of the rainy summer. Many Swiss people who originally planned to spend their holiday in their home country decided to go abroad at the last minute. In July, reservations registered by Kuoni spiked 70%, compared with the same period in 2013. Hotelplan also recorded a double-digit increase. Greece and Turkey rank among the top destinations.

📷 KUNN

TAMEDIA'S DANISH OFFENSIVE

Tamedia boosted its presence in Denmark by acquiring 88% of the shares in Trendsales, an online classifieds platform used by individuals and merchants to sell vintage fashions. The Copenhagen-based site employs some 50 people and is active in Denmark, Norway, Sweden, Finland and Germany. Trendsales is the Zurich-based media group's second investment in the Scandinavian country. Tamedia already publishes the commuter daily newspaper "Metroxpress".

📷 TAMN

SFS OFF TO CONQUER INDIA

The Indian market is one of the toughest to enter. But SFS, the St. Gallen-based leader in precision machined instruments, took on that challenge, increasing its stake to 86% of the share capital in the local company Indo Schöttle. With head offices in Pune and 700 employees across five sites, the group supplies automotive components to Suzuki, Hyundai, Honda and Tata Motors. Last year Indo Schöttle posted revenue of \$34 million. SFS currently has 7,000 employees and operates in China and Singapore.

SMART CONTACT LENSES



Novartis subsidiary Alcon announced its partnership with Google to develop smart contact lenses that would enable diabetics to monitor their glucose levels. Miniaturised sensors and a radio antenna "thinner than a human hair" have been embedded into Alcon's initial prototype to measure the wearer's blood sugar. The information is then sent to a smartphone for real-time analysis by the patients themselves or their doctor.

✉ ACL

ULYSSE NARDIN ACQUIRED BY KERING

French luxury group Kering is set to buy Swiss watchmaker Ulysse Nardin. The deal represents 13 times the Locle-based brand's 2013 revenue, totalling about 940 million Swiss francs. With Girard-Perregaux and JeanRichard already in its stable, the Parisian company aims to make a name for itself in high-end horlogerie. To this end, a special division has been set up this year, devoted exclusively to watches and jewellery. In the second quarter of 2014, sales grew 4%, reaching \$2.35 billion.

✉ KER

EVOLVA UNDER CONTRACT WITH THE US ARMY

The Basel-based biotechnology company Evolva was selected by the US army to supply it with GC-072, an antibiotic drug used to fight a rare form of infection. The \$15.1 million contract was signed with the Defense Threat Reduction Agency (DTRA) set up by the U.S. Department of Defense in 1998 to counter weapons of mass destruction. The antibiotic is used to treat melioidosis, a bacterial zoonosis transmitted through the air or skin and considered to be a potential bioterrorism threat.

✉ EVE

VIVOTIF TO STAY PUT IN BERN



The Dutch pharmaceutical company Crucell had planned to close its plant in Thorishaus in the canton of Bern, but then it was purchased by the US group PaxVax. The deal will save 80 jobs. The production site manufactures the Vivotif typhoid vaccine. Currently approved in 27 countries, the drug has been produced in Switzerland since 1982, and its sales have practically doubled in the past few years. With about 80 people already working for PaxVax in the United States, the acquisition will double the group's number of employees.

ABB AND VOLVO TEAM UP TO BUILD ELECTRIC BUSES



The Swiss electrical power giant ABB has joined forces with Swedish automaker Volvo to develop and sell fast-charging electric and hybrid buses. The vehicles will run on a city-wide standardised system enabling a quick charge through their roof at bus stops and then through cable systems overnight. The first buses developed by the partners will be sent to Luxembourg and will begin service in 2015.

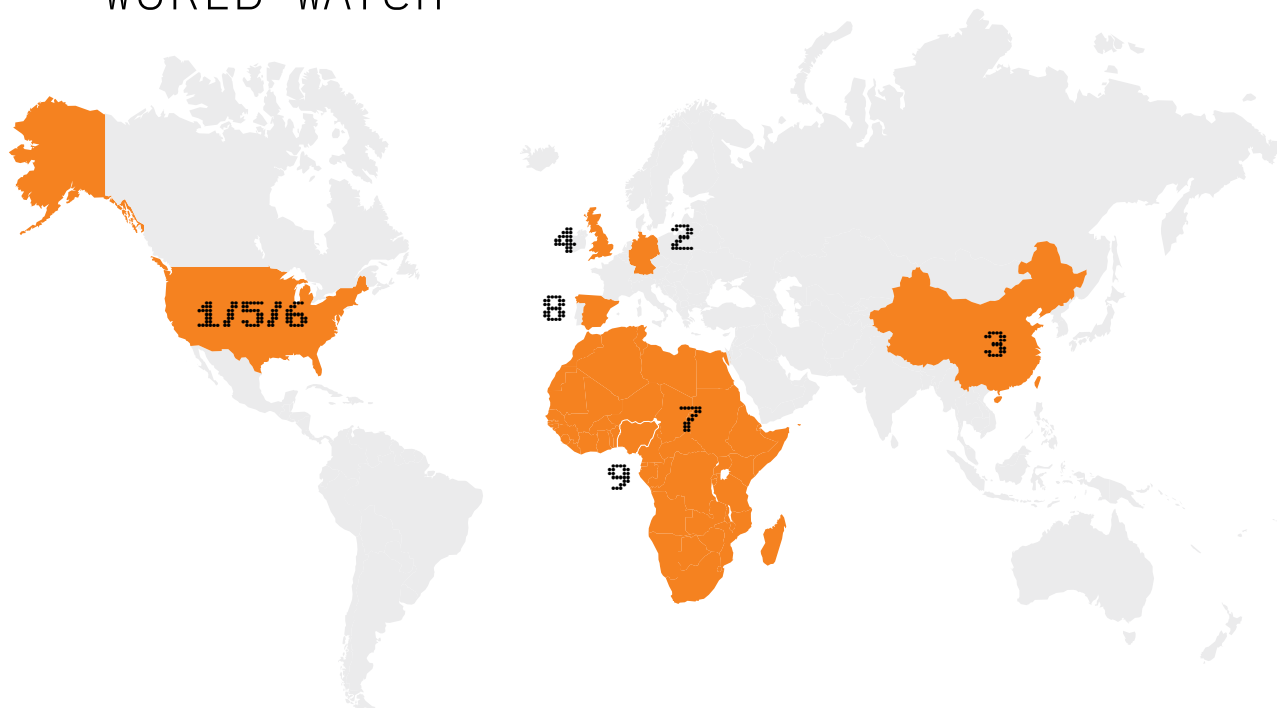
✉ ABBN ✉ VOLV^B

CUBIST SETTLES IN ZURICH

Cubist Pharmaceuticals is coming to Zurich. The US group specialises in fighting drug-resistant bacteria and is one of the few companies to persevere in the relatively unprofitable segment of antibiotic research. Cubist employs about 900 people and will use its new presence in the heart of Europe to step up its international growth, especially in Asia. This year the firm plans to invest \$400 million in research and development.

✉ CBST

WORLD WATCH



THE CLASH OF THE COCONUT WATERS

Americans have discovered a passion for *agua de coco*, a Brazilian drink famous for being both refreshing and nutritious. The market has gone from virtually non-existent in 2004 to \$400 million last year. Two of the leading brands, Zico and Vita Coco, are waging a relentless war for supermarket shelf space. Combat has shifted into higher gear since Coca-Cola's purchase of Zico and Vita Coco's distribution agreement with Dr Pepper Snapple. For now Vita Coco is ahead, with sales of \$270 million in 2013.

 KO



LOOK MUM, NO HANDS!



Daimler has presented its first driverless vehicle. A long haul from Google's two-seater, this articulated lorry has a top speed of 85 kilometres per hour on the motorway. The Daimler semi truck has kept a steering wheel, leaving the "passenger/driver" free to intervene in an emergency. Market launch is set for 2025. Earlier this year the German automaker unveiled a partially automated Mercedes-Benz featuring the same sensor systems as the Future Truck 2025, for which only a single prototype currently exists.

 DAI



TAOBAO VILLAGES

Taobao, the online shopping website operated by Alibaba, is transforming the economy of certain rural villages in China. Locals use Taobao to sell their arts and crafts, or goods manufactured at neighbouring plants, online. Purchases are then delivered to customers by motorcycle. This means that villagers do not have to migrate to the city. In some "Taobao villages", nearly 10% of the population makes its living this way, generating \$1.6 million a year.

4 RISE OF THE INTERLOC-KING PLASTIC BRICKS



The UK group Merlin Entertainments, which operates Legoland theme parks and Madame Tussauds museums, recorded a revenue increase of 8.1% in the first half of 2014 to £513 million. Its strong performance was driven by the Lego Movie's excellent box office receipts. Merlin Entertainments plans to capitalise on this success by opening new Legoland parks in Japan, Dubai and South Korea. The group will also diversify, teaming up with DreamWorks Animation to develop attractions featuring characters from the Shrek franchise.

✉ MERL

5 BANKING FOR THE POOR

Eighty-eight million Americans – 28% of the population, consisting essentially of the disadvantaged – do not have a bank account. That's quite a market, and certain banks have taken notice. Bank of America has created an account that charges no fees and has no overdraft facility. JP Morgan has launched a prepaid credit card with a flat monthly fee of only \$4.95. These banks hope that these customers will one day have enough money to take out a loan or apply for a traditional credit card.

✉ BAC ✉ JPM

6 OIL IN DELAWARE?

The US government has authorised offshore oil and gas exploration along the eastern seaboard stretching from Delaware to Florida. Compressed-air guns are used to blast the ocean floor in search of deposits, a technique highly criticised by environmental organisations. The most recent drilling in the region took place in the 1980s, leaving dry holes. Geologists now think 4.7 billion barrels of oil could be lying beneath the bottom of the ocean.

7 THE AFRICAN AIR TRAFFIC RUSH



A number of airlines are engaging in fierce competition in the considerably underdeveloped market of Africa. Despite being home to 12% of the global population, the continent only accounts for 3% of air traffic. Air France KLM, which already offers 300 flights per week to Africa, recently opened new routes, including Pointe-Noire in Congo and Port-Gentil in Gabon. The Franco-Dutch alliance plans to add more destinations in the Democratic Republic of the Congo and Mozambique. But snapping at its heels is the German airline Lufthansa, which now operates 38 flights to Africa.

✉ AF ✉ LHA

8 MANGO BETTING ON MEGASTORES



The Spanish clothing giant Mango has given its expansion strategy a new twist. In 2012, the retailer had operations in 109 countries, but its market shrunk to 105 by the end of 2013. The brand has left Brazil, with only one shop left in the country, and halved its number of stores in China, now with only 96 remaining. Mango will however open more megastores covering between 800 and 3,000 sq.m (8,600 to 33,000 sq.ft) in Europe and including all the brand's lines – women's, men's, children's and sport apparel. Its largest retail outlet opened in August in Frankfurt, Germany.

9 NIGERIAN OIL MOVING INTO THE HANDS OF LOCALS

Nigeria's home-grown oil industry is growing fast. Companies such as Seplat, Shoreline Natural Resources and Seven Energy have snapped up \$5 billion in onshore oil assets from foreign firms including Shell, Total, ENI and Chevron, as they increasingly turn to offshore resources to avoid violence and theft. The Nigerian firms now control 10% of the country's production. The latest purchase involved the Nigerian company Oando, which bought \$1.8 billion in assets from US giant ConocoPhillips.

DAYMER, VALERIA, LUONGO, CANADIAN PACIFIC, DAVID R. RICO / WENN

SECTORS

E-CIGARETTES

Reynolds buys Lorillard

The cigarette manufacturer Reynolds (Pall Mall, Camel) is set to buy its competitor Lorillard for \$27.4 billion. By merging, these two industry leaders – which together control 33% of the tobacco market in the United States – can focus on the rapidly expanding sector of e-cigarettes. Their efforts will be poured into the Vuse brand from Reynolds. Lorillard's Blu will be sold to Imperial Tobacco Group – along with other brands including Kool – to dispel any suspicions of a cartel in the making. Sales of e-cigarettes, after tripling to \$1.5 billion last year, are expected to double every year until 2018, according to Euromonitor. Until now they were dominated by small independent brands.

RAI

Advertising and sweet flavours

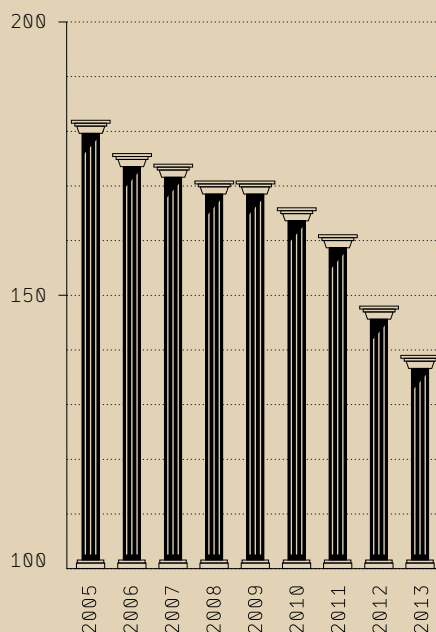
In most countries, tobacco manufacturers are banned from advertising on television or the cinema, and from sponsoring sports events. But those restrictions do not apply to e-cigarette brands. As a result, most of the companies have developed ambitious communication campaigns – reminiscent of the Marlboro Man's glory days – featuring celebrities such as Robert Pattinson and Courtney Love. They also target young people by developing flavours such as marshmallow and kiwi-strawberry. In the United States, the Senate and some states are now considering introducing laws to limit their leeway.

FINANCE

Swiss private banks under pressure

According to a joint study by KPMG and the University of St. Gallen more than one-third of Swiss private banks reported losses last year. The sector is suffering from declining profitability and low growth in net new money, along with increased competition and regulatory pressure. The US tax programme is taking its toll, leading banks to recognise provisions totalling 900 million Swiss francs in 2013. The small and medium-sized banks have been hit the hardest. Half of them lost assets under management last year, while large banks increased their market share by one-third.

NUMBER OF PRIVATE BANKS
IN SWITZERLAND



NUMBER OF
LOSS-MAKING BANKS
OUT OF 94 ANALYSED



KPMG AND THE UNIVERSITY OF ST. GALLEN

... SMARTPHONES...

Invasion of the Androids

Nearly 85% of the 295.2 million smartphones sold worldwide in the second quarter of 2014 use Google's Android operating system. Apple's iOS came in second, with its market share of 11.9% on the decline. Microsoft's system runs on 2.7% of smartphones and Blackberry's on 0.6%—both took a hit last quarter due to the hegemony of Google. Global sales of smartphones rose 27% over the period compared with the previous year, on the strength of demand from Asian and African consumers. However, in Europe and the United States, the market is slowly reaching maturity.

GOOGL

Samsung puts the finishing touches on Tizen

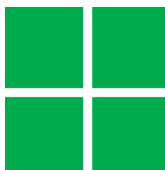
Samsung is preparing to release its own operating system, Tizen. Aimed at loosening the Korean manufacturer from Android's hold, Tizen was developed in partnership with Intel, NTT Docomo, Vodafone and Orange. Its launch on the new Samsung Z smartphone, initially planned for this summer in Russia, has been postponed several times. Tizen is currently only available on Gear smartwatches. The system will likely be limited to low-end Samsung devices sold in emerging countries. This should help the Korean group to compete with Chinese smartphone makers.

SMSN

SCREEN

UPS

Microsoft



Revenue generated by Microsoft's cloud doubled in the year 2013-2014.

At this pace, sales from the segment will reach \$4.4 billion next year. With its recent purchase of the flailing mobile phone manufacturer Nokia, Microsoft is trying to alleviate its dependency on the sluggish PC market to focus on the mobile and cloud computing sectors.

MSFT

Greggs



The UK bakery chain's profits jumped 48% over the first six months of the year to £16.9 million,

with the launch of a new line of "low-fat" sandwiches and pasties. Made with vegetables, hummus or chicken, they all contain less than 400 calories. Over the period, Greggs opened 26 new shops, with most located outside city centres.

GRG

Boeing



Boeing's profits soared 52% in the second quarter to \$524 million thanks to improved manufacturing processes. The US airplane manufacturer delivered 181 planes over those three months. Even more impressive, it produced 10 Dreamliners each month. Over the full year, Boeing is expected to manufacture a record 715 to 725 aircraft, a performance driven by high demand from airlines.

BA

SWISSQUOTE NOVEMBER 2014

DOWNS

GlaxoSmithKline



GlaxoSmithKline's sales fell 13% last quarter following low earnings on its best-sell-

ing drug, Advair, used to treat respiratory problems. The medication accounts for one fifth of the UK pharmaceutical group's total revenues. Advair is plagued with competition from generic drugs in Europe and similar rivals in the United States, such as Symbicort by AstraZeneca.

GSK

Beats



The headphone brand, Beats, bought this year by Apple for \$3 billion, was sued by its competitor

Bose in a Delaware court for infringing five patents filed to protect its noise-cancellation technology. The high-end sound pioneer is trying to prevent Beats headphones manufactured in China from being imported into the United States.

AAPL

Total



Total suffered a record 10% drop in oil production last spring. The blow came from the expiry of its

concession in Abu Dhabi, which represented 6.5% of its output capacity, and shutdowns due to maintenance work in the North Sea, Nigeria and Thailand. The French group was also hit by delays to the large-scale Kashagan project in Kazakhstan, which is not expected to resume until mid-2016.

FP



“When big cheques are involved, artists want to create content! Lots of people want to work with us.”

Netflix CEO Reed Hastings said in an interview with the French culture magazine *Télérama*.



“There is a huge market for smartphones priced between €0 and €50. But we will not go into that category. We must respect the brand’s upscale image.”

Kuni Suzuki, President and CEO of Sony Mobile, told *Le Figaro* in an interview.



“We are still not planning big purchases. We have a highly innovative research and development pipeline in pharma as well as diagnostics.”

Roche chairman Christoph Franz said in an interview with the *Frankfurter Allgemeine Zeitung*.



“It would not be accurate to say that a policy of excessive austerity has been in place within the euro area.”

Christine Lagarde, Managing Director of the IMF, told the French business daily *Les Echos*.



“We have tried using the Windows Phone OS. But it has been difficult to persuade consumers to buy a Windows phone. It wasn’t profitable for us.”

Huawei’s CEO Richard Yu said in an interview with the “Wall Street Journal”.



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245,340

In dollars, the amount of money it will cost an American middle-income family to raise a child born in 2013 to the age of 18, according to the US Department of Agriculture.



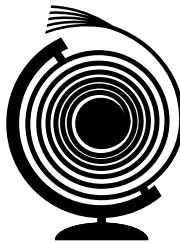
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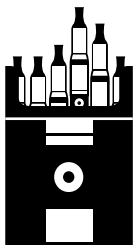
In millions of dollars, the money collected by the Islamic terrorist group Al Qaeda and its direct affiliates since 2008 through the kidnapping business, as reported by *The New York Times* in July. About \$66 million was paid in 2013 alone.

9,000

In kilometres, the length of the new underwater fibre optic cable between Japan and the United States that Google hopes to start operating in 2016 in partnership with five Asian telecommunications groups. Google already has 160,000 kilometres of fibre optic cables around the world, says *The Wall Street Journal*.



43.9%



The percentage of young American non-smokers who, after testing the e-cigarette, say they plan to try tobacco cigarettes in the next year, according to a report by the US Centers for Disease Control and Prevention. That is twice as high as those who have never used electronic cigarettes (21.5%).

10

In millions, the number of PlayStation 4 consoles sold worldwide within 9 months of its launch in mid-November 2013, making it the best-selling PlayStation in Sony's history.



UP

Confectionery

Sales of sweets are expected to reach \$198 billion in 2014, i.e. 5.4% higher than last year. This growth is driven by the new middle classes in emerging countries. Sales of chocolate have risen 10% in the Asia-Pacific region and 13% in Latin America.

Low-cost airlines in Asia

The number of low-cost airlines has risen in Asia, now at 47, with 12 more set to start operating this year. These bargain carriers represent 58% of the market. Many of them, such as the Thai airlines NokScoot and AirAsiaX or the Singapore-based Scoot, will begin exploring the medium and long-haul flight segments.

DOWN

Music downloads

Music downloads are on the decline. Americans bought 53.8 million albums over the first six months of 2014 in this format (down 11.6% on last year). Downloading has been impacted by the rise in streaming, which was used to listen to more than 70 billion songs over the period (up 42%).

Fast food in China

Fast food is experiencing the fallout from a food safety scandal in China. McDonald's and Yum! Brands (KFC and Pizza Hut) saw their sales plummet after it was revealed that supplier Shanghai Hushi Food was sending them meat beyond its expiry date. Yum! Brands has 4,600 KFC and 1,200 Pizza Hut restaurants in the country.

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BINDERS BY THE MILLION

Biella is the original Swiss manufacturer of the now legendary federal binder. And though digitisation would seem to pose a threat, the company is still going strong.

By Sophie Gaitzsch



WALTER STÜDER / KEYSTONE

A July 1944 photograph of the Bern office of the organisation Neue Helvetische Gesellschaft [NHG], covered with Biella binders.

“Binder season” is upon us. It always falls between October and January, when companies, governments and individuals stock up on this key storage aid for their annual sorting and cleaning. “We generate 60% of our sales over these four months,” says Marco Arrigoni, Chief Executive Officer of Biella, the legendary office equipment company that invented the federal binder more than a century ago. This perfect grey rectangle has attained cult status, becoming part of Swiss design heritage. The federal binder has also played a major role in Swiss legal proceedings. The Geneva Cantonal Bank debacle filled 1,500 of them and the “grounding” of Swissair 4,150.

Three-quarters of the storage files available on the Swiss market come from Biella’s Bern plant.

Based in Brugg in the canton of Bern, the company now produces a wide range of storage files and binders. Selling 140 million units per year, Biella enjoys a

powerful position in Europe. About three-quarters of the storage files available on the Swiss market come from its Bern plant. Listed on the Berne stock exchange (see inset p. 18), the manufacturer has 800 employees and closed 2013 with revenue of 191 million Swiss francs. Its secondary product lines include diaries, plastic file folders and archive boxes.

FALLING DEMAND

Biella generates virtually all (99%) of its sales in Europe, where it has five production sites. “The binder is a typically Central European product,” says Marco Arrigoni. “It’s most popular in Switzerland, Germany, Austria and Poland. Every country has its own archiving habits,” he explains. “In Italy and Spain, documents are stored in boxes, while Americans prefer to stack folders.”

But even in its natural habitat, the binder faces dark times due to flagging demand. The culprit? Digitisation. “We are being hit hard,” says Marco Arrigoni. “Storage files are gradually leaving the workplace. Employees use an iPad when travelling for work. Thick instruction manuals for industrial machines are delivered in electronic format. As a result,” he continues, “we’ve seen a steady decline in our sales volumes over the past five years. Files have dropped 5% per year and diaries as much as 10%.”

This pressure has also impacted prices, the most sensitive selling point for

The numbers

140 M

The number of binders produced by Biella every year.

1909

The year the first Swiss federal binder was manufactured at the paper and registry factory in Biel/Bienne, Biella’s ancestor.

3/4

The proportion of the total number of binders sold in Switzerland that is produced by Biella.

191 M

Biella’s 2013 revenue in Swiss francs, up 2% in one year.

customers. They have fallen 12% in four years, and it appears to be a Europe-wide phenomenon. This trend is straining the company, which posted a net loss of 1.2 million Swiss francs in 2013. “The quality of Biella products is renowned,” says Thorsten Grimm, a specialist in small and mid caps and partner of the blog schweizeraktien.net. “But digitisation represents a huge challenge, big enough to start feeling sceptical about the future of the sector.”

SWISS PRODUCTION IN DANGER?

Given this critical situation, is manufacturing in Switzerland still a good call? Marco Arrigoni has no doubt. “Logistics is key in our industry. An empty binder weighs almost nothing but takes up a lot of space. It’s

only worth distributing within a 600-kilometre radius from the production site. This is also wiser from an environmental point of view," he argues. "We have competition from Asia, but it doesn't pose a genuine threat to the European market. Only 15,000 binders can fit into a lorry. Imagine what it would take to import millions of binders!" Despite the challenges of digitisation, Biella is

Despite the challenges of digitisation, Biella is pressing onward.

pressing onward. The company says it is convinced that the free fall will stop at some point. "I don't believe in a digitised world, a completely paperless life and offices," says Marco Arrigoni. "Today we just don't know where

bottom is." In 2012, the manufacturer bought the German group Falken, one of its main competitors. This footing in Germany made Biella the European leader. The company made two more acquisitions in early 2014: the lever arch file business from the German group Hamelin and the office equipment supply business from the Zurich-based company Carpentier. Biella launched its initial expansion towards Central and Eastern Europe in the early 2000s. "The management at the time sensed that Biella was entering a rough period and could no longer depend exclusively on the Swiss market."

Biella plans to move forward with its acquisition strategy and take part in the consolidation of a sector believed to be in overcapacity. "We will continue to seize opportunities in our core business. The European market represents 320



million binders a year. We still have room to grow." ▲

BLN

Where SMEs are listed

The Swiss stock exchange based in Zurich is not the only one in the country. Bern also boasts its own exchange platform, BX Swiss, where about 30 Swiss stocks and more than 1,000 foreign stocks are traded. "We focus on Swiss small and medium enterprises (SMEs), mainly property and industrial companies," says its CEO Luca Schenk. "We address the needs of Swiss private and small institutional investors." What are the advantages of the Berne eXchange? "It includes high-growth Swiss companies with a rising valuation.

It's easier to trust a local company that everyone knows than a large group. This emphasis on local companies is in line with the mindset of Swiss investors." Once they reach a certain size, companies listed on the Berne stock exchange often move to the Zurich exchange, as did Hochdorf, Comet and Looser. The shares listed on BX Swiss are available on the Swissquote platform.

.....Analyst opinion.....

"Biella has solid fundamentals"

Biella operates in a market destabilised by digitisation and undergoing drastic change. "You can see in the company's earnings, which were negative in 2012 and 2013, that it's a tough fight," says Thorsten Grimm, a specialist in small and mid caps and partner of the blog schweizeraktien.net. "But

Biella has solid fundamentals. By making a number of acquisitions over the past couple of years, the company has decided to play an active role in the consolidation of the sector. If Biella is successful in turning its operations around over the next few years, it could achieve its long-term growth poten-

tial," Grimm says. "However, we shouldn't expect any very positive changes in earnings in the short term. This stock is for extremely patient investors who believe that the office equipment sector has a future." Thorsten Grimm has issued a HOLD recommendation on the share.

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ANALYSIS

ADVICE FOR INVESTORS

“The banking sector is adapting to new game rules”

Banks have emerged from the turmoil of the crisis with healthier balance sheets and greater visibility. Yann Goffinet, a financial sector analyst at Pictet Wealth Management, explains.

SWISSQUOTE MAGAZINE ▶ How do you see the banking sector?

YANN GOFFINET ▶ Six years after the financial crisis, the banking world is constantly changing. Banks are adapting to new game rules, primarily regulatory. This situation is likely to last for the next 12 to 24 months.

What does that mean for investors?

It might be somewhat destabilising in the short term. Just look at the share performance of banks such as BNP Paribas or Credit Suisse [editor's note: impacted by fines from the United States]. In Europe, the European Central Bank (ECB) will release the results of its stress tests in October. This represents a risk for short-term investors but is a positive catalyst for longer-term investments because they appear more credible than those in 2011. Over the next few months in the United States, focus will turn to macroeconomic condi-

tions with the end of Quantitative Easing (QE) and a probable interest rate hike at some point in 2015.

“In eurozone periphery countries, macroeconomic conditions are improving and banks are getting healthier.”

However in the medium term, new regulations and the ECB's future role as eurozone regulator are expected to provide a more solid grounding and stabilise the banking sector for investors.

What about the balance sheet clean-up?

The process is almost com-

plete in the United States. Europe has come half way, pending the ECB's capital and leverage ratio requirements. Stricter ratios may require further balance sheet clean-up.

Are any discounted banking stocks still available?

In Europe, the sector trades at approximately a 10% discount from net asset value. This discount is justified if the return on equity is lower than the cost of capital, which remains more or less the case for the time being in Europe this year. If the macroeconomic climate continues to improve, things are expected to change by 2015-2016. In general, the US banking sector is no longer at a discount.

In Europe, where do so-called peripheral banks stand?

In eurozone periphery countries, macroeconomic conditions are improving and banks

are getting healthier. In Spain, macroeconomic growth has resumed, and the country's banks showed excellent earnings in the second quarter. Italy's macroeconomic situation is more complicated. Banks are suffering from the recession, but overall, second-quarter earnings came in strong. Asset quality is improving somewhat but the trend remains fragile.

Is exposure to sovereign debt considered a risk?

Government bond yields are currently falling. Germany is pulling all the other markets downwards. The policy enforced by Mario Draghi [editor's note: President of the ECB] is clear: keep long-term interest rates low for all eurozone countries. The credit risk from this exposure is down, as are market concerns. Holding sovereign debt will not be considered a risk as long as the ECB upholds this monetary policy.

The cost of financing for banks is closely associated with the country where the bank is located. As sovereign yields fall, so does the cost of financing. This provides banks with higher margins on interest rates and reduces their risks. These conditions are unlikely to change over the next 12 to 24 months.

Is the situation any different for major Swiss banks?

The main risk faced by UBS involves potential sanctions from manipulating exchange rates. The future looks slightly brighter for Credit Suisse in terms of legal probes, but some changes in management may take place

following the settlement with the US Justice Department. FINMA seems satisfied with the current capital ratio of both leading Swiss banks, although the Swiss National Bank has expressed some reservations about the leverage ratio. The SNB has suggested applying a calculation method closer to that used in other countries, which could reduce the ratio currently required.

What kinds of returns can bank shareholders expect?

In the United States, most banks pay dividends and have a share buyback programme. This is not yet the case in Europe as banks are still rebuilding their capital. Regulators apply strict requirements on shares and dividends. For example, UBS and Credit Suisse must submit their capital plan, and dividend proposals must be reviewed with FINMA. As a result, there is always a higher risk of disappointment than pleasant surprises when it comes to dividends from European banks.

What are the main sector risks?

Macroeconomic risks remain prominent, as does the scenario of stagnant economic growth in Europe. There are also higher geopolitical risks in the short term. A sudden spike in interest rates could be problematic and cause market jitters. Specific risks should be factored in as well, such as the precipitous nationalisation of the Portuguese bank Espirito Santo this summer. The stress test results are nevertheless expected to limit these risks by the end of the year.

“In the United States, most banks pay dividends and have a share buyback programme. This is not yet the case in Europe.”

What do you think are the best banking investment options?

You can invest in the sector – or in banking sub-sectors – through ETFs or other funds. If you want to bet on an improvement in Europe's macroeconomy and its impact on banks, you might want to look into a European banking sector ETF. At Pictet Wealth Management, we invest in individual securities with an attractive expected risk/return profile. Personally, I like BNP Paribas, Credit Suisse, AXA and Julius Baer, to name a few of the stocks we recommend. ▀



Yann Goffinet
Financial sector analyst
Pictet Wealth Management
Geneva

Lithium: a steady rise

Demand for lithium, the element used to make batteries for electronic devices, has been consistently on the rise for several years. Jon Hykawy, lithium specialist and President of Stormcrow Capital, explains why.

SWISSQUOTE MAGAZINE ▶ What is the current situation on the lithium market?

JON HYKAWY ▶ The market is very strong. To give you an idea of its size, about 120,000 tonnes of lithium carbonate were sold in 2009, and the market now totals 160,000 tonnes. Over the same period, the price has risen from about \$4,500 to nearly \$5,500 per tonne, even with the crisis.

What is this market's main growth driver?

Demand is primarily driven by the computer and communications industry. Lithium is used in batteries for increasingly widespread electronic devices, such as laptop computers and smartphones. New applications have also been developed. Not so long ago, it was still common to see cameras that ran on nickel-metal hydride (NiMH) batteries, but they have since been replaced by models that use lithium.

What about electric vehicles?

Demand from the automotive industry will grow over the

next few years, judging from the success of the Tesla. The vehicle battery market is a "sexy" sector that is garnering a lot of attention. Some automakers such as Toyota, General Motors and Hyundai have put their money into fuel cell vehicles. But lithium has little chance of becoming obsolete in transport, as the fuel cells of the future are likely to be used in combination with lithium batteries. The main source of demand for lithium remains by far the electronics industry, where manufacturers look for ways to extend battery life.

Can resources and production keep up?

Lithium is not scarce. A number of deposits remain untouched in the salt flats in Chile, Argentina and Bolivia. The element can even be recovered from hard rock minerals in places such as Australia, Canada and Africa, then processed into a quality product. Extracting lithium is more expensive there than in the salt flats, but companies are experimenting with new techniques to reduce difficul-

ties and costs. I don't think supply will be a limiting factor, unless demand suddenly spikes.

"Demand from the automotive industry will grow over the next few years, judging from the success of the Tesla."

Can the market absorb a price increase?

The cost of lithium remains low in the overall production of a battery. Even if it doubled, the impact would be minimal and could be offset by the industry. This leaves some leeway in the event of a price increase. And at higher prices, unprofitable mining projects could become worth developing.



ARGONNE NATIONAL LABORATORY

Lithium-ion battery testing at Argonne National Laboratory, one of the largest research laboratories in the United States. Only a few companies currently produce lithium on a global scale.

Who are the main market players?

The industry is highly consolidated. Three companies control virtually all of the world's lithium production: Sociedad Quimica y Minera de Chile (SQM), FMC and Rockwood Holding [editor's note: all listed on the NYSE]. But new companies are cropping up, such as RB Energy in Canada and Orocobre in Argentina. Orocobre recently

sealed a major partnership deal with Toyota. And other potential suppliers are ready to join in.

What advice do you have to offer for investing on the lithium market?

Every investor should obviously do their own research to understand the market. One common mistake is to invest in a single company. Investors should build a basket of

stocks to offset any unexpected events that might jeopardise projects in their early phases. Political and geopolitical risks should also be factored in, namely nationalisation in Bolivia and inflation in Argentina. ▲



Jon Hykawy
Analyst
Stormcrow Capital
Vancouver

Are oil prices ready to rise?

Despite tensions in the Middle East and Ukraine, oil prices have yet to soar. Other factors are influencing the crude oil market. Alessandro Gelli, analyst at Diapason Commodities Management in Lausanne, explains.

SWISSQUOTE MAGAZINE ►

Why didn't the price of oil spike this summer with all the geopolitical tension?

ALESSANDRO GELLI ► The market is under less pressure than expected. The economic slowdown in Europe and weaker industrial growth in China have resulted in lower demand. Despite the turmoil in the country, crude exports from Iraq have remained stable. Furthermore, Libya has increased its oil output despite the conflict currently ravaging the nation. This situation forced Saudi Arabia to cut its oil output in August, a period when production is usually ramped up.

Has output in the United States reduced the geopolitical risk?

The Americans are reducing foreign crude imports as a result of the exploding production of shale gas in the United States. Given the ban on US crude exports, there is even a risk of surplus in the short term, as refineries are not equipped to handle all the light oil being produced in the country. However, the boom will not drive oil prices down in the medium term, as a high price structure is needed to make shale gas drilling and production economically viable.

What other factors are influencing the market?

Economic growth remains a dominant factor. And the rise in the dollar has also played a key role, making oil more expensive in other currencies. However, output has increased very little outside the United States and Canada.

“With the increase in its domestic production, the United States no longer sets the global price. We therefore expect the WTI to remain at a discount to the Brent.”

What are your forecasts?

Even if overall market sentiment is negative, we're more optimistic than others about the future of demand. For instance, we expect the Chinese economy to pick up and the European situation to stabilise.

What should our position be?

It's a very complex market, but exposure to the Brent can poise investors to benefit

from a global economic recovery. The Brent is currently the most accurate reflection of the international landscape, while the WTI is “stuck” in the United States. With the increase in its domestic production, the United States no longer sets the global price. We therefore expect the WTI to remain at a discount to the Brent.

What are the risks to beware of?

The geopolitical factors – for now lurking in the background – could come back in full force if the economy recovers, as the market will be under higher pressure. The price will climb with each barrel produced and fears will intensify. The reserves in OECD countries have dropped close to levels seen before the 2008-2009 economic crisis, while global demand has increased nearly 6% since 2008. The available production capacity in Saudi Arabia is also relatively low. All these factors could amplify market tension and drive up prices. ▲



Alessandro Gelli
Analyst
Diapason Commodities
Management
Lausanne

Innovation. Explained.

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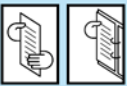
OCTOBER 2014

02

TECHNOLOGIST



ONE MAGAZINE
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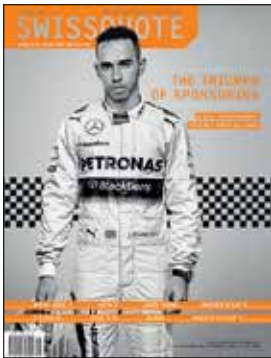
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“I’m a bit more free than others to say what I think”



Eric Cantona, the new face of watchmaker Hautlence, met with *Swissquote* Magazine to discuss how he protects his image and his relationships with sponsors.

Interview by Serge Maillard

For its recent report on sponsoring (N° 2/2014), “Swissquote Magazine” interviewed experts and brands about this growingly popular form of advertising. This time, we were able to go through the looking glass to discuss it with the frontman of one of these sponsorship campaigns. And not just any man. Eric Cantona, “King Eric”, venerated both past and present in Manchester... and the rest of the planet. The Marseille native recently stopped through Neuchâtel to promote the Swiss watchmaking brand Hautlence as its new ambassador.

Nike, Sharp, Pepsi, Bic and Renault have already engaged his services for campaigns which were characteristically injected with a good dose of humour and provocation – in the image of their model. But with Hautlence (an anagram of Neuchâtel), whose least expensive watches are priced at about 20,000 Swiss francs, Eric Cantona makes his debut in the elite world of ultra-

luxury. Odd choice, as these high-end brands remain fairly conventional in their advertising approach. And this star is anything but conventional.

So, is it a culture clash? “A cook said that he wanted to make warm ice cream,” says the former Red Devil, with his typically elusive sense of humour. These days, the Olympian-sized “King Ubu” – another royal nickname from his dabblings in theatre – embraces the chance to dedicate himself passionately to projects sometimes light years away from football. And this collaboration went far beyond a photo shoot. Eric Cantona worked with Hautlence in designing the “Invictus”, a model from the Morphos limited edition of timepieces featuring a blue butterfly pattern. Interview.

You are no doubt highly in demand for sponsorship campaigns. How do you protect your own brand image?

With my family. When I get an offer, I review it with my two brothers. We’ve been working together for a long time. We’re very complementary. I probably go more with my feeling. They’re more reasonable, more strategic. But they also have that touch of madness. We have to feel love, passion, energy!

How do you decide whether or not to work with a brand?

You can’t accept just any offer because it’s whatever brand. We base our decisions first on who does what. Next, on what they’re offering us to do. Then we talk about money. It has to be a brand that we like and respect. We have to like the script. It has to be powerful, offbeat. Not fake. Otherwise, even if it’s a major brand, we won’t do it. Even if it’s for a lot of money, we won’t do it. We’d be destroying years of work.

Has your approach to sponsoring evolved since your first TV commercials in the 1990s?

Now I see it more as a collaboration. That's how it is with Hautlence. We've always emphasised the importance of the script. But now it goes a step further, because they're giving me the opportunity to create something. I have an idea, and it becomes possible. There's a whole team of craftsmen who are there to assist me. Who wouldn't dream of creating their own work? It's like painting. It's extraordinary.

The luxury sector is rather conventional.

It's not the only one.

Your image is that of a rebel...

No, I don't have the image of a rebel, I have the image of myself!

Hautlence contacted you for a "Gentlemen Rebels Club".

Yes, because I have a

certain degree of freedom. I'm a bit more free than others to say what I think. But I don't always say what I think. And that's a good thing.

A few years ago, you said that withdrawing money from banks would put power in the hands of citizens. Is that anti-globalisation...

Wait, I'm not anti-globalisation. I know what you're going to say, "You're anti-globalisation, and you do commercials." Right?

Isn't that in conflict with the world of luxury?

If a company makes 60 billion in profits but makes 20 people redundant because its earnings are slightly lower than another company, that bothers me. But I'm not at all against the system. For people to have jobs, you have to have people that create jobs. At the same time, people who are in a position of weakness have to find ways to gain respect. That's where the idea came from. If you want to be heard, you have a deterrent. Unless you live in a commune.

Didn't the affair get out of hand? It was an interview in a local paper, and

it ended up creating a buzz that spread everywhere.

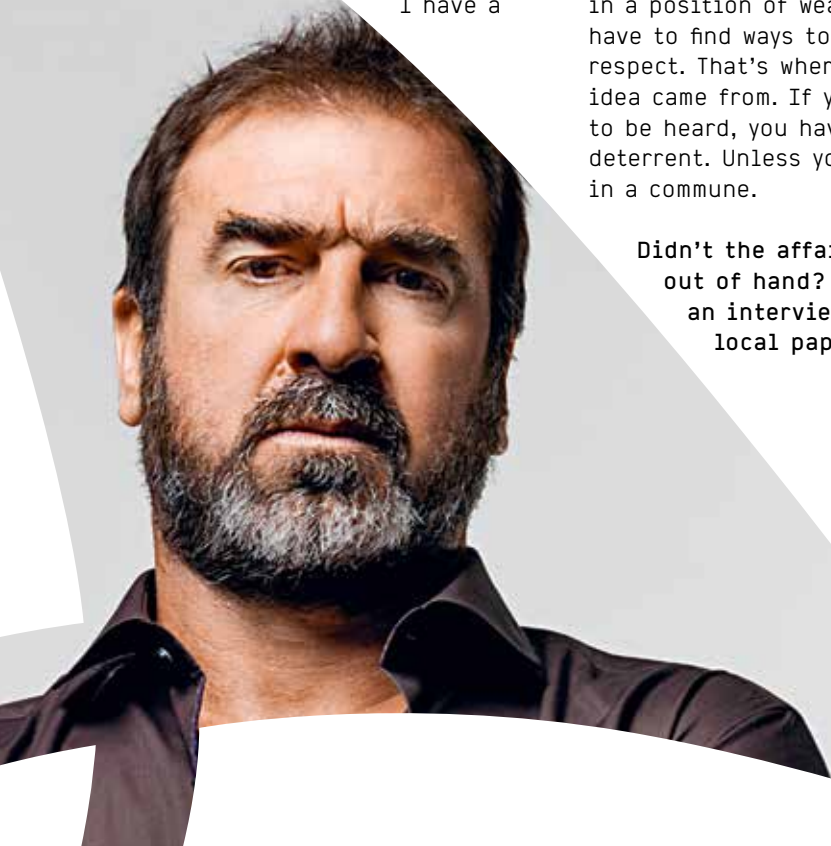
Good. It's important to say things sometimes that spark a debate. If you can inform people while creating a debate across all channels, and not just certain elitist channels, that's a good thing. I actually think it's a great thing. I do what it takes to set off the debate. That's where my role stops. I don't even have a "role", in fact. I do what I want. I say what I want. Politicians started meddling. They had to make me look stupid, the one who seemed to have opened everyone's eyes.

Did they succeed in tarnishing your image?

No. It's no coincidence that it became such a big deal and was talked about in 50 countries across the world. Ministers got involved. That means it wasn't so stupid after all. The difference is that we're not here to bring the system down. That's what they wanted people to think. Being able to do it to be heard, that's called a deterrent.

You're very popular in Europe. Hautlence wants to move into the Far East. Do you also have fans in Asia?

Asians love English football. I've been there several times. It's the most frequently watched championship, and Manchester United is a very popular club, ever since George Best. I was lucky to be in a great period, in a great club, with a great coach. ▲



Gonzo journalism and the economic genius of Vice Media

Disney, Time Warner and 21st Century Fox have been eyeing the scandalous magazine, an attraction which can be put down to its audacious and efficient business model.

By Clément Bürge



VICE MEDIA

A scene from the documentary "Ukraine Burning" (2014), one of the latest productions by Vice Media, in the middle of the Ukrainian revolution.

Oliver Burdinsky is sitting talking to the camera. "I was 13 or 14 when I first realised I liked animals in that way", says the German fortysomething, tenderly fondling his dog Joey. "We used to have a German shepherd at home. He was my first partner."

Burdinsky is a zoophile. The 16-minute documentary is interspersed with analyses and opinions from specialists in the field such as Edmund Haferbeck, a scientific advisor with PETA, an animal rights organisation.

The basic concept was to write about low-brow subjects in a high-brow manner and cover serious topics with silly humour.

The film, "Animal Fuckers", was released on 25 August 2014 on vice.com. Its style perfectly sums up the website's trademark image: irreverent, off-the-wall and sexual.

"Animal Fuckers" is one of many such documentaries from Vice. The stories may seem absurd and distasteful, but Vice today is one of the most dynamic publications on the planet. The magazine has 36 offices in 18 countries and its model is often presented as the future of journalism. To top it all off, the biggest media empires such as Time Warner, 21st Century Fox and Disney are eyeing up the company.

A SMALL-TIME CULTURE MAGAZINE

Vice was created in Montreal in 1994 as "The Voice of Montreal". The then-minor publication reported on cultural events in the Canadian city. The magazine grew over the years, propelled by Shane Smith, one of its first employees. After changing its name to Vice in 1999, the company moved its head office to New York.

The magazine quickly set itself apart from the competition by adopting a provocative style. The idea was for journalists to write articles with open subjectivity and to immerse themselves in their subject matter, in line with the tenets of gonzo journalism. The basic concept was to write about low-brow subjects in a high-brow manner and cover serious topics with silly humour. Gavin McInnes, one of the founders of the magazine, explained the philosophy in an interview with "The New Yorker". "If we go to Palestine we'll write an article about the best place to get a burger, not about Gaza or the 1967 borders. If we write an article about farts, we'll do a really scientific piece."

Today the Vice offices are in Williamsburg, Brooklyn, the world's hipster capital. Shane Smith, a guy with a beard who looks like a Viking, is the CEO.

It is Shane Smith's business sense that has made Vice into a media empire; the magazine's real innovation is not its eyebrow-raising content but the way it makes its

money. "The company makes the majority of its revenue online, which is unique for a media company", says Rebecca Lieb, analyst at The Altimeter Group. The magazine hit the jackpot by investing in online videos, a medium underused by other newspapers and television channels. "Advertisers are big fans of the video ads screened before documentaries on the site", says Ken Doctor, analyst at Outsell. "The demand is higher than the supply in this market, so the price of a video ad is three or four times higher than other online ads."

The numbers

5%

The share in Vice owned by Rupert Murdoch, for which he paid \$70 million. His son, James Murdoch, is on the company's management board.

2.8 Md

In dollars, the size of the US online video advertising market, Vice's speciality. This is 19% higher than 2012, according to the Interactive Advertising Bureau.

8 M

The number of individual visitors to vice.com per month. In comparison, YouTube has 4.4 million members. Vice's television show on HBO attracts two million viewers per episode.

500 M

In dollars, the revenue Vice has forecast for 2014. The company expects to earn \$1 billion in 2016.

VICE HITS AND MISSES

HIT

HEAVY METAL IN BAGHDAD



This documentary follows the Iraqi heavy metal band Acrassicauda from 2003 to 2006. Heavy metal music had always been forbidden under Saddam Hussein, and the film shows the band's fight for survival in the war-torn country. Hard-hitting stuff.

INSIDE NORTH KOREA



This mini-film recounts Vice CEO Shane Smith's epic journey to North Korea in 2008, with rare images of the communist country. The visit led to the meeting of basketball player Dennis Rodman and Kim Jong-un in 2013.

GARBAGE ISLAND AN OCEAN FULL OF PLASTIC



Vice films a desert island in the middle of the Pacific which has been littered with rubbish carried by the ocean. A revealing eco-documentary.

MISS

ON THE RUN WITH JOHN MCAFFEE



When the Belize police were searching for IT developer John McAfee in connection with the murder of an American expat in 2012, he refused to cooperate and fled to Guatemala. During meetings with McAfee, Vice published an article on its site entitled "We Are With John McAfee Right Now, Suckers". Unfortunately, the article contained metadata which the police used to track and locate McAfee. Oops!

GETTING HIGH INJECTING SNAKE VENOM

A Vice reporter meets a man who has been injecting himself with snake venom for 20 years, and claims to have superhuman health. Not particularly relevant.

WESTMINSTER DOG SHOW... ON ACID



Bradley Olson, a Vice photographer, takes acid and goes to a dog show, staggering about half-asleep in the middle of everything. Pathetic and boring.

Vice's whacked-out videos have spoken to a demographic that the traditional media has never been able to convince. "With their off-the-wall content, they have succeeded in winning over the millennium generation, the 18 to 35-year-old demographic highly sought after by advertisers", says Rebecca Lieb. "No one has managed to seduce them like Vice. These are people who have not yet formed consumption habits, and so are very suggestible. They often have no children, and have more freedom to spend their money as they see fit. They are the target every brand is aiming for."

The magazine now wants to launch an actual television channel, which explains its interest in working with Time Warner, 21st Century Fox and Disney

Advertisers were unsurprisingly eager to jump on the Vice bandwagon, and sponsored content has now become one of the company's main sources of revenue. For between \$1 million and \$5 million, a brand can sponsor its own videos on the site, resulting in a half-documentary, half-advert. The clothing brand The North Face, for example, financed a series of documentaries in which Vice journalists explored the furthest regions of the



Shane Smith, founder and CEO of Vice Media, surrounded by Libyan fighters.

planet. And Intel pays tens of millions of dollars every year to finance videos on new technology.

WORTH \$2.5 BILLION

In light of this success, Disney, 21st Century Fox and Time Warner have all approached Vice to acquire a share in the company. According to "The New York Times", Time Warner offered to purchase a "significant" minority stake in Vice in a transaction valuing the company at more than \$2 billion. Rupert Murdoch, who bought a 5% stake in the company last year after valuing it at \$1.5 billion, also offered to acquire a larger share. Disney has also approached Vice, although no news of a potential transaction has yet been released.

These companies were also attracted by recent changes to the Vice website. Keen to move away from its reputation as a superficial, sensationalist publication, Vice has started producing high-quality documentaries. The magazine joined forces with the HBO cable television channel in 2013, releasing its own 12-episode show. In the last episode, Vice managed to organise a basketball match between a North Korean team and an NBA team. Amazingly, the journalists convinced North Korean leader Kim Jong-un to take part, a story which made the front page the world over. Other feats include a 42-minute documentary on the Islamic State, in which their journalists

succeed in entering the extremist group in Syria, and the 2013 launch of Vice News, an almost traditional news channel on YouTube.

The magazine now wants to launch an actual television channel, which explains its interest in working with Time Warner, 21st Century Fox and Disney. "Vice has realised that television is still the best way of reaching a maximum number of people", says Ken Doctor. However, "a partnership between Vice, the social bad boy, and more traditional institutions such as Time Warner and Disney could be turbulent", says Rebecca Lieb. And hype is by definition a temporary phenomenon. How long will Vice be able to stay cool? ▀

THE NEW



FRONTIERS OF TOURISM



Hong Kong, 2013 © Martin Parr/Magnum Photos

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Postcards by Martin Parr

Lost travellers, far-flung getaways, mass tourism... Photographer Martin Parr captures the absurdity, and the paradox, of tourism. His perspective is both honest and ironic, cruel and kind. Having recently been invited to join Magnum Photos, Parr is now part of an exclusive circle of notable photographers with international influence. His compelling photos are featured this issue of "Swissquote magazine".

FAIR WEATHER AHEAD FOR TOURISM

The success of online platforms has forced tourism giants to reinvent themselves. But opportunities abound to benefit from this growing and changing market.

By Ludovic Chappex

Today the tourism industry accounts for nearly one-tenth of global GDP and boasts almost 5% growth, thus outstripping total economic growth. This trend shows no sign of wavering any time soon, judging by the multiple forecasts available and the chart opposite.

One of the major changes in tourism is the new online booking platforms. Now a must for any travel service provider, they gain a little more ground every year. Whether collaborative (Airbnb, Couchsurfing, HouseTrip, Getaround, etc.) or more conventional (Expedia, Hotels.com, Booking.com, Rentalcars.com, etc.), these new offers make traditional service providers look terribly outdated, especially travel agencies and hotels.

Although successful collaborative platforms such as Airbnb are not yet listed on the stock exchange, the two US giants Expedia and Priceline Group (owner of Booking.com), each with nearly 10,000 employees, have already been making the sun shine on the Nasdaq for several quarters now (see the portrait on Expedia, p. xx). An impressive performance for the two online travel agencies set up at the end of the 1990s.

Longstanding players in the tourism industry are now trying to adapt to the new game rules, deploying all their resources to attract connected travellers. For example, the Hilton group plans to fit its hotels with smartphone-activated locks by 2016 and has come out with a new app used to check-in online (p. 39).

The French group Accor is focusing on hospitality at its hotels to re-establish concrete ties with customers (p. 56).

The boom in Asian tourism is the other major trend to watch, expected to be the sector's main growth driver over the next few years.

China has sent more tourists abroad than any other country, and Chinese travellers are the biggest spenders

Since 2012, China has sent more tourists abroad than any other country, and Chinese travellers are the biggest spenders (p. 42). Asia is also likely to deliver the strongest growth as a travel destination in the years to come.

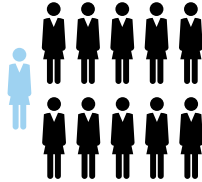
Demographically speaking, senior travellers represent a growing market in the tourism economy (p. 42). Recent retirees in developed countries, often in excellent health and with plenty of cash to spend, thrive on adventure and travel. In the United States, these baby boomers will control 75% of the country's wealth by 2017, according to Nielsen. Enough to make tourism professionals' mouths water.

Facts & figures on global tourism

IN 2013



9%
of global
GDP



1
in 11 jobs
worldwide



1159
billion

Tourism receipts in dollars

INTERNATIONAL
TOURIST ARRIVALS
(1950 – 2030)

1.8
billion



In number
of passengers

1.1
billion

528
million

278
million

25
million

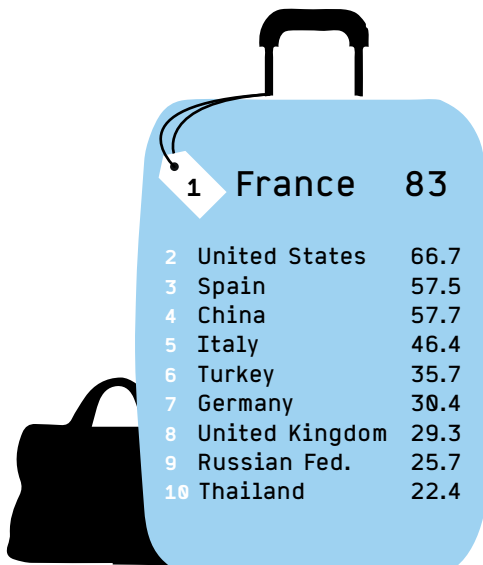
1950 1980 1995 2013 2030

FORECAST

+4.4%

The average annual increase forecast
for arrivals in emerging destinations
by 2030, twice the rate of arrivals
in advanced economies.

TOP 10 DESTINATIONS
(in millions of visitors in 2012)



Seven trends in modern tourism

Urban, connected,
collaborative, international
– these are today's new
categories of leisure travel.

By Benjamin Keller, with Salomé Kiner

1

New adventurers

ATHLETIC, CULTURAL AND NATURE-ORIENTED ACTIVITIES ATTRACT TRAVELLERS SEEKING A UNIQUE EXPERIENCE.

Kayaking, paragliding, climbing and volunteering. These are some of the new activities offered in the increasingly popular segment of "adventure" tourism. It has grown 65% every year since 2009, according to a study published last year by George Washington University and the Adventure Travel Trade Association (ATTA). The market generated an estimated total of \$345 billion in 2012, excluding air travel expenses. The ATTA defines "adventure" tourism as any trip involving at least two of the following three components: interaction with nature, cultural learning or exchange and physical activity.

"More and more, tourists want to be active and have a unique experience," says Chris Fair, president of Resonance Consultancy, a Canadian company providing consulting, strategy and analysis services for tourism professionals. "The most popular activities are referred to as 'soft' [editor's note: e.g. safaris, surfing and eco-tourism]. So-called 'hard' activities, such as extreme sports [editor's note: e.g. heli-skiing, caving], remain a niche," he adds. He also points out that most companies in the sector are developing locally. But large groups are also joining in. The UK leisure travel giant TUI Travel teamed up with the Australian specialist Intrepid Travel to create Peak Adventure in 2011, the market leader with annual revenue of over \$400 million.



2

Hyperconnected tourists

TRAVELLERS CAN'T GET ENOUGH OF ONLINE TOOLS. SO THE INDUSTRY IS ADAPTING.

The impact of the web on tourism was all the buzz at the 21st World Travel Monitor Forum held last year. Two key messages emerged. The first involves mobile technology. "The international travel industry needs to get



Lanzarote [Canary Islands], 2014 © Martin Parr/Magnum Photos

'mobile' ready for the future growth of bookings via smartphones and tablets," says the forum report. In 2013, 65% of bookings were made online but only 2% with mobile devices. But that trend is expected to change quickly. Bold new apps have been launched recently, particularly in hotel bookings with Hotel Tonight and Roomlia, to offer last-minute discount prices. The Hilton group has developed an application used to book rooms

featuring online check-in and check-out. Most of its hotels will also be fitted with smartphone-activated locks by 2016.

The second main focus was on social media, blogs, forums and review sites. They now play an "integral" role in travel planning, especially for "millennials". This young generation of travellers – who grew up with a mobile phone in hand and internet at home – compare an average of

10.2 sources before booking a reservation and trust peer reviews above all other channels, according to International Luxury Travel Market. Marketers have no way of getting around social media and are adjusting their strategies. For example, the official tourist information website VisitSweden opened a Twitter account in 2011 that is administered every week by a different Swedish citizen who shares their perspective on the country.

3 City centres taken by storm

MASSIVE INVESTMENT HAS GONE INTO ATTRACTING MORE TOURISTS.

Can cities, already saturated with tourists, handle even more? The answer is yes. City trips have grown 47% since 2009, compared with 25% for all international holidays, according to the World Travel Monitor 2013. This growth essentially comes from travellers from emerging markets. Urban destinations attract millennials in droves. All operators now offer short "city breaks". The top three most visited cities in the world in 2014 are London (18.7 million visitors, \$19 billion spent), Bangkok (16.4 million, \$13 billion) and Paris (15.6 million, \$17 billion), according to the Global Destination Cities Index. And competition is growing. In 1950, the top five most visited cities snagged 71% of tourists, versus 31% in 2011, says the World Tourism Organisation.

Urban areas are obviously benefiting from the development of low-cost airlines and massive investment in airports. In 2014, the CAPA Centre for Aviation recorded total investment in airport construction projects worth \$385 billion. Istanbul, in Turkey, has broken ground on a new \$30 billion airport with an annual capacity of 150 million passengers. Cities also highlight shopping. Gigantic shopping centres are being built to cover all products and services, mainly concentrated in the Middle East and modelled after the famous Dubai Mall. In 2013, this consumer temple built in 2008 brought in 75 million people, 40% of whom were tourists. This makes it one of the most popular destinations in the world.

4 Cruises are full steam ahead

THE SECTOR REMAINS UNSCATHED BY THE CRISIS AND FOCUSES INCREASINGLY ON THE EXCLUSIVE EXPERIENCE.

Cruises are still a dream holiday. The industry has powered through the economic crisis, boasting continuous growth. In 2013, 21.3 million tourists boarded a cruise ship, with an additional 400,000 expected this year, according to the Cruise Lines International Association. More than half of the passengers (52%) are from the United States. In the 2013/2014 season, \$7.2 billion was invested in the sector, with 29 new cruise ships. Three groups overwhelmingly lead this market estimated at more than \$37 billion, says Cruise Market Watch: the US-based Carnival Cruise Lines and Royal Caribbean International and the Chinese group Star Cruises.

Plenty of room for growth remains, both in supply and demand. Asians are virtually absent from cruises but represent a huge potential customer base. Families and multi-generational groups are another prime target, as the size of today's liners means they can offer activities suited to all age groups. And supply is adapting. New kinds of ships are being built to attract boaters just aching for an exclusive getaway. Customised luxury river cruises and micro-cruises through relatively unexplored, remote areas are flourishing. Operators in this segment such as Uniworld and Tauck World Discovery are constantly setting sail on new itineraries and ships.

5 Everyone's a service provider

CARS, APARTMENTS, ADVICE... NOW YOU CAN FIND EVERYTHING "DIRECTLY" FROM PEOPLE JUST LIKE YOU.

The average citizen can now do anything a regular travel professional does by offering the entire world their goods and services – house, car, culinary skills, deals



Helsinki, 1991 © Martin Parr/Magnum Photos

– on the internet. The trend, referred to as collaborative travel, has exploded over the past few years. Some P2P (peer-to-peer) accommodation websites have become household names. The pioneer is Couchsurfing, based in California and created in 2004. Airbnb, also California-based but considerably less laid-back, has been in operation since 2008. The Swiss player, Housetrip, was founded the following year. A myriad of other sites have popped up across all sectors. Cookening brings travellers together for a

meal; Vayable lets them explore and book activities recommended by locals, while Getaround is a peer-to-peer car-sharing and rental service.

But all that is not for free. Collaborative consumption in its broadest definition now represents a substantial market. Forbes estimated the share economy at \$3.5 billion in 2013, up 25% in one year. A study published in May by Nielsen, the global information and measurement company, polled 30,000

people on the growing trend. The findings showed that 68% of the respondents are willing to share or rent their goods and services for payment, while 66% would join the community as users. Young people are the most enthusiastic, with 42% of those interested under age 35. The segment is booming for intermediaries. In tourism, Airbnb – unlisted and now worth \$10 billion – is sitting on the roof of the world. But the operator is accused of unfair competition by the hotel industry.

6 The Chinese traveller wave

CHINESE TOURISM WILL EXCEED THE 100 MILLION MARK THIS YEAR, WITH SPENDING KEEPING PACE.

Brace yourself. You'll be saying "ni hao!" at beaches before you know it. Since 2012, China has not only sent the most tourists abroad, but its travellers have also been the biggest spenders. The 97 million Chinese tourists spent \$129 billion in 2013, ahead of the Americans and Germans, according to the World Tourism Organisation. This year, the China National Tourism Administration (CNTA) estimates that 114 million of them are expected to cross the border (up 17%) and spend \$140 billion on travel (up 8%). Chinese tourism is driven by higher wages, reduced travel restrictions, a strong yuan and more international routes.

For now, Asia is benefiting the most from this enormous market. The CNTA says that last year 83% of Chinese travellers who went through agencies stayed on the continent. Only 11% of them came to Europe and 2% to America. "China is one of the factors that will influence the tourism industry over the next decade," says Chris Fair of Resonance Consultancy. "This requires adapting, in particular hiring staff or guides who are fluent in Mandarin and understand what these customers expect. This is just the beginning." Nearly 70% of Chinese tourists still travel in groups, but more and more young people – who are gaining financial independence – travel on their own. To the point where the travel company Travelzoo expects the trend to reverse within the next ten years.



7 Baby boomer = Globetrotter

THE GENERATION BORN AFTER WORLD WAR II IS BEGINNING TO RETIRE... AND HAS THE EXTRA CASH TO TRAVEL.

Baby boomers, i.e. people born between 1946 and 1964, have become the darlings of the tourism industry. And for good cause. In 2011, the oldest boomers hit age 65, roughly the retirement age in most countries. So they have time to travel. And they can afford it. More importantly, they want to. Resonance Consultancy conducted a study in



Mar Del Plata [Argentina], 2014 © Martin Parr/Magnum Photos

2013 which surveyed US households with income of \$150,000 or more. In 2012, 59% of those over 55 defined retirement as “a time to travel and explore new places”, and 42% were planning a trip abroad within the following 12 to 24 months.

How many baby boomers are there? In the United States

alone, more than 76 million according to the US Census Bureau, representing 24% of the population. The report refers to Nielsen's estimates that they will control no less than 76% of the country's disposable income by 2017. What is their profile? “They're the most affluent and most demanding people in developed countries.” They work

with word of mouth, are high-maintenance, attach importance to safety and quality – especially with airlines – and like to travel during the low season, because they have the free time to do so. They are also inclined to travel with their family. Multi-generational travel is another major trend emerging in the tourism industry.

“TRADITIONAL AGENCIES WILL SURVIVE”

Peter Meier, CEO of Kuoni, met with “Swissquote Magazine” at his company’s headquarters in Zurich. He discussed the current changes in the tourism industry and which direction his brand could take.

By Ludovic Chappex

The Kuoni brand is practically a “lovemark” in the collective Swiss psyche. Synonymous with relaxation and escape, the company founded by Alfred Kuoni in Zurich in 1906 played a role in creating the travel industry. Over the decades, it has grown into a global group and is currently active across all continents. Kuoni is best known to the general public for its beach holidays (more than 2 million customers in this segment in 2013), but has diversified considerably these past few years. Its subsidiary VFS Global, which provides visa services for travellers across the world, already generates nearly 5% of group revenue and is showing strong growth (up 8.5% in the first half of

2014). Despite a solid business model, the Swiss group has run into headwinds since the beginning of the year (read the analyst opinion on p. 46). Its Nordic businesses in particular have taken a sharp dive. Former group CFO Peter Meier, who stepped in as Kuoni’s CEO in March 2014, believes that this rough patch should not jeopardise the company’s strategy. He met with “Swissquote Magazine” at the group’s headquarters, an impressive building in a trendy district of Zurich. Swissquote had the opportunity to discuss the future of the tourism industry from behind the scenes and find out more about Kuoni’s businesses, up close and personal.



The numbers

5.669

In billions of Swiss francs, Kuoni’s 2013 revenue.

11,471

The number of employees worldwide.

110,000

The number of coaches booked in 2013 for organised tours.

+45%

The revenue growth of the websites kuoni.ch, helvetic-tours.ch and lastminute.ch, all owned by Kuoni (Switzerland).





Peter Meier, CEO of Kuoni

VINCENT CALNEL

What changes should we expect in the tourism industry in the years to come?

This business sector is expected to post average growth per year of about 5% over the next ten years. It is a very fragmented industry, with a lot of intermediaries, and we think that situation

will last. We don't anticipate any big mergers. There will still be a high number of service providers – from hotels to airlines – a reflection of the wide range of traveller needs and tastes.

What major trends are emerging?

If we look ahead, in ten years, the strongest growth potential is definitely in Asia, as an outbound market. Its developing middle class travels more and more. It has become a status symbol. Nowadays, we already generate 42% of our revenue outside Europe, and that share is set to increase substantially. The global population is ageing, creating vast opportunities for us. These new retirees remain active and want to travel.

The other major trend is the development of mobile technology. Today's main challenge is not so much switching to connected services but rather migrating from traditional internet platforms to a mobile-only offer for tablets and smartphones. We're gradually migrating a part of our services to mobile applications. It's a major shift.

How are the tastes of Asian tourists changing?
Europe remains the most

attractive destination for them, with London and Paris topping the list. Asian travellers are particularly sensitive to Europe's rich history. European brands also appeal to them. They enjoy visiting certain stores and to have their picture taken there. Asians also travel to the United States, which is a unique destination in many ways, but most go to Europe. The great majority of them travel in groups.

“Thomas Cook and Tui have a very different strategy from ours. They focus more on the mass market in Europe.”

That way, prices are lower, and the trip is smoother because everything is optimised. They can have a full-time guide to sidestep the language barrier. An important point that people in Europe don't always realise is that group travel is not considered a negative thing in Asia.

Are young Asians' tastes different from those of their parents?

Not really. That said, to be able to travel, they first have to move up to the middle class. That's not so easily done for young people. The average age of travellers is relatively high.

How do you attract these Asian customers?

Our strategy in Asia is not to offer direct services to end customers. We don't operate as a traditional travel agency but offer our services to agencies, which in turn sell trips to their customers. Our approach is strictly B2B.

.....The analyst's opinion.....

“Increased competition in Nordic countries”

On 21 August, Kuoni announced half-year earnings deemed as disappointing (6.1% decline in revenue to 2.48 billion Swiss francs). The instant reaction was a 12% drop in the share price. Why? The group's poor performance in Nordic countries, where revenue fell 12.9%. The Swiss company blamed a challenging operating environment for tourism due to geopolitical conflicts in Egypt, Kenya, Thailand and Ukraine, along with negative currency trends.

Analysts in turn point to the problem of markedly increased competition in Scandinavia, despite historically being one of Kuoni's most profitable divisions. The low-cost airline Norwegian is now undercutting prices to many destinations on this market, squeezing Kuoni's margins in the first half of 2014. The group's forecasts of lower-than-expected annual EBIT have added to market tension. After posting EBIT of 40 million Swiss francs in 2013, the Nordic businesses are expected to turn in a figure that is close to zero or even negative.

Nevertheless, Kuoni remains a healthy company overall. Chris Burger, an analyst at Helvea, highlights the “very promising outlook in Asia, where Kuoni leads the B2B market of tour operators”, and the strong “growth of the VFS Global division”, which offers services across the globe. The Helvea analyst has issued a “buy” recommendation, while Vontobel and Credit Suisse have issued a “hold” recommendation.

And those B2B activities currently represent a very large share in your revenue. The general public is not necessarily aware of that fact. How does the service work?

Let's take the example of a Chinese travel agency that has to organise a 10-day group tour in Europe. What we offer our Chinese partner is to organise and negotiate the entire trip for them, from transport to logistics, including the choice of hotels, food, guided tours, etc. We organise around 50,000 of these types of tours every year, most of which are in Europe. Even the Chinese travellers don't realise that Kuoni set it all up. They book their trip through a local service provider.

What sets Kuoni apart from other travel sector leaders, such as Thomas Cook or Tui? Thomas Cook and Tui have a very different strategy from ours. They focus more on the mass market in Europe. They even have planes, hotels and so on. Kuoni has a much more "asset-light" approach, considerably more B2B-centric and much more global.

How much of a threat do operators like booking.com or Airbnb represent for Kuoni? Are you concerned about this new form of competition?

The arrival of new competitors has fragmented the industry even more now than it was ten years ago. We're not in a situation where one operator could take over the entire market. No single company has market share that is significantly higher than the



A pioneering spirit

Kuoni was started back in 1906, when Alfred Kuoni opened a travel agency at Sonnenquai 6 (now Bellevue Square) in Zurich. In 1907, a first guided tour was organised, with Egypt as its destination. The company grew rapidly and opened branches in St. Moritz and Lucerne in the 1920s, then expanded its business into France and Italy. In the 1950s, Kuoni became the first European tour operator to offer organised trips to East Africa. In 1976, the Swiss group chartered its first around-the-world tour in a Swissair DC-8, including a stop-over in Shanghai. That was the first time China had approved landing rights for a special tourist flight.

others. Airbnb has opened up an exciting new pathway. We're not in direct competition with them, but booking.com is definitely a competitor.

With the development of online offers, aren't classic travel agencies doomed to disappear?

We believe that traditional travel agencies will survive. There will still be a high demand for this type of service ten years down the road. Some people will prefer to have a real discussion with a travel specialist. Obviously for simple requests, such as spending a week at a hotel in Majorca, you no longer need to go through an agency. An online reservation works just fine.

A physical agency is not very useful for this type of service, except perhaps for older people or very young people who don't yet have a credit card.

However, for more complex requests, a physical agency is the right choice. For example, people are more reluctant to book a safari lasting several weeks in just a few clicks on the internet. It's all about trust. And going to a Kuoni agency provides a powerful guarantee. That includes after-sales service. Unlike consumer goods that you can simply exchange if you have a problem, it is not easy to make a complaint after a holiday that didn't go well.

But aren't younger travellers more likely to book their holiday exclusively online?

That's not what we've observed. This year in Switzerland, 25% of the people who came to one of our travel agencies were under 40. These customers don't need to book their holiday online just to prove that they can... If you're a "digital native", booking online is nothing extraordinary. This generation is very pragmatic. If we offer an efficient, quality service through an agency, younger people will choose that option to organise trips with specific needs.

What are the major projects under way at the Kuoni group?

If we look at where we've come from, we can say that Kuoni has transformed significantly over the past few years. This shift is based on three main pillars. First, the acquisition of Gullivers Travel Associates (GTA) in 2011 substantially boosted our Asian operations, empowering our B2B market in the region with an online offer of more than 50,000 hotels. Second was this year's strategic decision to discontinue our unprofitable business activities in France, Italy, Spain, Belgium and Russia. And third, we stepped up the organic growth of our company VFS Global, which processes visa applications for travellers. This is a fast-growing service that we invented thirteen years ago.

That's another little known facet of Kuoni...

We launched the service in India, where travellers need a visa for nearly every

destination. Today, we work with 45 different governments, which outsource the visa issuance process to us. We process more than 18 million visa applications per year in over 100 countries.

"This year in Switzerland, 25% of the people who came to one of our travel agencies were under 40."

Has Switzerland's reputation for professionalism and neutrality benefited you in developing this business?

When we started the business, that reputation clearly worked to our advantage. It was an important factor in gaining the trust of governments. These days, it takes more than just being Swiss.

The comments from analysts following the publication of your half-year earnings were rather harsh. Some blame a lack of strategic decisions. What's your reaction?

I don't think that the analysts are disputing our business model. Half-year earnings simply came in below their expectations, causing the share price to diminish. The real debate is over our activities in Nordic countries as an outbound market. We have performed well in this region for the

past decade but are now facing hardship. We even expect to record losses this year. Most of the negative comments refer to that specific point.

Are you concerned about the future of your businesses on that market? The analysts mention Kuoni's lack of visibility.

Market observers mainly wonder about the volatility and lack of visibility in Scandinavia as a whole. But it's a very attractive market. People in these countries travel south in both the summer and the winter. Last year, we organised trips for 1.3 million people. In Nordic countries, unlike our other sectors, we are running into direct competition with Thomas Cook and Tui. We're currently No. 3 on the market. Now we may have to decide whether we should hold on to that position or if the disadvantage against our competitors is too great.

Is now the time to buy Kuoni stock?

The real question at hand is, "Do I want to invest in the travel sector?" The truth is that the sector as a whole enjoys strong growth potential but is extremely fragmented. It's not an area where one or two companies can dominate the rest. And that causes higher volatility than in other sectors. Bearing that in mind, several factors make Kuoni shares a very attractive option: our "asset-light" strategy, our strong positioning in growth sectors and our abundant free cash flow.



VINCENT CALMEL

Finance expert

Before joining Kuoni, Peter Meier (age 49) worked for 18 years at Sulzer, where he held a number of responsibilities in finance until being named CFO in 2007. In 2010, he came on board Kuoni's management team, first as CFO. Peter Meier was then appointed as the group's interim CEO in June 2013, before being officially confirmed in his position in March 2014.

This Zurich native holds an MBA from the State University of New York and a management degree from the Wharton School at the University of Pennsylvania. Peter Meier is married and the father of two young adults. He lives in Winterthur.

“We process more than 18 million visa applications per year in over 100 countries.”

You worked as CFO at Sulzer for 18 years before joining Kuoni in 2010, also as CFO. What motivated you to make that choice?

For me it was a step into the unknown and a form of uncertainty. The decision was in line with my aspirations and my personality. There are definitely a lot more strategic issues to deal with at Kuoni. The tourism sector, unlike the industrial sector, is going

through a profound shift. Plus, I grew up in a family that loves to travel. My parents still travel extensively. I also travel as much as I can with my family. So my job is actually in line with my interests.

Does your lengthy experience as a CFO help you in your current position? How much did you have to change your way of working?

Having a background as a CFO has certainly been an advantage. I have a broad understanding of financial data. But I think that these days a CFO has to exhibit some of the qualities of a CEO. That's always been the case for me. A CFO can no longer only focus on the figures and

accountancy. It's now commonly accepted that the CFO should be capable of replacing the CEO in the event of absence. As the CFO of Kuoni, I was already involved in all the major decisions. I would also frequently deal with the board of directors. It's not as though I'd inherited a portfolio over which I'd had no influence beforehand.

Did I have to change my way of doing things? Yes. I have to handle a lot more issues now. Before, the problems were more technical. Today, we have to set up teams, hire the right people, define a strategy. The work is very different. ▲



KUNN

THE CHANGING FACE OF LOW-COST AIRLINES

After 15 years of continuous growth, low-cost airlines are now undergoing enormous changes. Companies in the sector are starting to take a look at new markets such as Asia and Africa, creating a series of fresh trends for the future.

By Julie Zaugg

The race to get the best seat, the veritable picnic stuffed into pockets, and the herculean task of fitting everything into a miniscule suitcase to avoid paying for checked baggage... this sort of behaviour was unheard of 15 years ago. But the rise of low-cost airlines has completely transformed a sector previously dominated by national transport companies. Some 26% of plane tickets on sale in 2013 were for low-cost flights. And it might be just the beginning.

EUROPE

European low-cost airlines have played a pioneering role, developing in the mid-90s and today accounting for 38% of the whole market. "It is completely consolidated around the two leaders, easyJet and Ryanair", says John Thomas, aviation specialist and partner at L.E.K. Consulting. Ryanair transported 81.4 million people in 2013, up 2.3% on 2012, making it the leading European airline ahead of easyJet, which transported 61.3 million passengers in 2013, up 3.6%.

But traditional airlines have started to bite back. "Over the last few years they have created a much simpler, cheaper product similar to the low-cost offers", says John

Grant, Vice-President of OAG, a British company providing aviation information. "British Airways now charges for all its services, including meals and reservations. Brussels Airlines and Scandinavian Airlines have a similar model."

The European low-cost airline market is reaching saturation. EasyJet was the first to react, investing in the business travel segment two years ago

"Some traditional airlines have set up their own low-cost subsidiaries, such as Transavia and Hop for Air France-KLM and Germanwings for Lufthansa", says Anand Date, analyst at Deutsche Bank. Lufthansa handed over all its European flights to its low-cost subsidiary last year, with the exception of flights leaving from Munich and Frankfurt. As part of its holding with British Airways, Iberia



Paris, 2013 © Martin Parr/Magnum Photos

acquired the budget airline Vueling in 2013, adding to its own subsidiary Iberia Express which was created in 2011.

As a result, the European low-cost airline market is reaching saturation. EasyJet was the first to react, investing in the business travel segment two years ago. “The company introduced numbered seats and developed Flexi pricing, enabling customers to change their reservation up until the day of the flight”, says John Grant. Passengers can also purchase annual subscriptions giving them access to one piece of free checked baggage and priority boarding.

Even Ryanair has jumped on the bandwagon. Michael O’Leary, Ryanair’s CEO, took the world by surprise six months ago by announcing that the company was going to focus on flights to priority airports, closer to city centres. “The company has replaced Charleroi with Brussels, and Rome Ciampino by Rome Fiumicino”, says Jaap de Wit, professor of transport economics

at the University of Amsterdam. Even the corporate culture has been reviewed, and employees have participated in training sessions to be friendlier towards passengers.

USA

Southwest Airlines was founded in 1971, and was seen as the world leader in the low-cost segment. Today, however, the US low-cost airline market is dominated by three traditional companies: American Airlines, Delta Airlines and United Airlines. “Their offers are almost identical to those of low-cost airlines” says John Thomas. “They have adopted the same additional service model for add-ons such as meals and hold luggage, which now accounts for a large part of their turnover.”

The rest of the market is shared out between a handful of low-cost airlines including Colorado-based Frontier Airlines, and Allegiant Air, a company specialising in coast-to-coast flights as well as providing hotel reservations

and car hire. Another player in this market is Spirit, an entry-level budget airline whose minimalist service offering smacks of Ryanair. The offer is basic, and passengers are charged for everything including hand luggage.

Conversely, Southwest Airlines has moved upmarket, as has JetBlue, an airline founded in 1999 and based in a brand new terminal at JFK Airport in New York. This airline sets itself apart through the quality of its service. For example, its seats are wider than those of any other airline in its segment.

The long-haul conundrum

Several low-cost airlines have had a hard time in the long-haul market, such as AirAsia X, which tried to launch a flight path between Kuala Lumpur, and London and Paris. "On long-haul flights, fuel is the main cost", says John Thomas. "And this is an irreducible cost. Airlines can't manipulate this element of their service to lower ticket prices."

Another limitation: for flights lasting longer than seven hours, there can be no immediate re-departure, and the flight team must be changed for the return journey. "The low-cost business model consists of selling the same seat several times in the same day for different flights and spending as little time as possible on the ground, which just doesn't work here", says John Wensveen.

The low-cost airline Norwegian nevertheless decided to introduce three flights between London and the USA this year. A single flight to New York is priced at \$225, and the airline has kept costs down by employing pilots from Singapore and air stewards from Thailand, paid 11,000 euros and 500 euros respectively. "The airline flies the brand new Boeing 787, which uses less fuel", says Jaap de Wit. "Norwegian also had the foresight to choose popular holiday destinations such as New York, Fort Lauderdale (near Disney World) and Los Angeles, thereby enabling them to survive without business fliers", says John Grant.

Budget airlines are also testing the medium-haul segment with flights from three to five hours, which only require medium-sized planes. FlyDubai flies to Belgrade, Addis Ababa and Mumbai, the Saudi airline Flynas has routes to London, easyJet flies to Amman, Tel Aviv, Egypt and Morocco, Vueling flies to Dakar and Scoot links Singapore with Australia.

ASIA

The low-cost airline market is only just getting started in Asia. But it's making up for lost time and going from strength to strength thanks to an emerging middle class with a taste for travel. "Several low-cost airlines are implementing aggressive strategies to undermine the weakest established companies", says John Thomas. The Indonesian airline Lion Air went head to head with the national airline Garuda, while AirAsia took on Malaysia Airlines, an airline devastated by two crashes in 2014 which led to its exit from the stock market and the loss of 6,000 jobs.

This drive is nevertheless restricted to certain regions, particularly in South-East Asia. There are no real low-cost airlines in China, and Peach Aviation is the only Japanese low-cost airline, founded in 2012. "The Asian market remains fairly closed-off" says John Thomas. "Each country is dominated by one national airline operator." This increases entry costs on these markets for low-cost airlines, which are often forced to create an on-site subsidiary with local investors.

Several traditional airlines are also positioning themselves in this segment of the market. Singapore Airlines has bought shares in Tiger Airways and created Scoot, its own low-cost subsidiary, while the Australian airline Qantas has invested in Jetstar.

AFRICA

Africa remains the final frontier for the low-cost market. "This continent has a huge population, but very few people have the means to travel by plane", says John Wensveen, Head of the Department of Aviation Technology at Purdue University in Indiana. Africa only accounts for 3% of global air traffic, but is changing in the wake of enormous economic growth registered in several countries. "Nigeria, Kenya and Ethiopia are becoming interesting markets for low-cost airlines", says John Wensveen. Africa has seen the creation of two budget airlines over the last few years: Fly 540 flies between Kenya, Angola and Ghana, and Fastjet flies to Tanzania, South Africa and Zambia. ▲

THE SWISS COMPANY DUFRY RULES OVER THE “SIXTH CONTINENT”

The Basel-based group is the world's leading operator of duty-free shops and is riding high on the steady rise in passenger air travel: Portrait.

By Sophie Gaitzsch

The duty-free phenomenon has developed to the point that major brands now refer to it as their “sixth continent”. This new El Dorado is none other than travel retail, mainly located in airports.

It is a booming sector fuelled by the steady rise in the number of airline passengers. And this continent is inhabited by a very special kind of consumer. They are often well-to-do and, once they have come through airport security, are left feeling idle. To kill time, they gladly visit duty free shops, stands or fashion boutiques.

The king of this “sixth continent” is Dufry, headquartered in Basel. Despite being mostly unknown to the general public, the company employs 17,500 people and is the world leader in travel retail. Dufry has boasted explosive growth over the past decade, posting revenue of 3.57 billion Swiss

Dufry has boasted explosive growth over the past decade

francs in 2013, up 13% on the previous year. Since its IPO on the Swiss stock market in 2005, its revenues have more than tripled.

Today, Dufry operates in 47 countries and manages more than 1,350 shops, the vast majority of which are located in airports (87%), along with seaports, cruise liners and tourist spots. Approximately two-thirds of Dufry's business comes from the duty free sector, where it is a historical player. In 1952, the company opened the

first duty free shop in continental Europe at Le Bourget airport outside of Paris.

A \$60 BILLION MARKET

Travel retail generated \$60 billion in 2013, enjoying the growing popularity of tourism and rising purchasing power in emerging countries. This mix has resulted in the steady, global growth of passenger air travel, which is likely to continue over the next few years. The International Air Transport Association estimates a 31% increase in the number of passengers to 3.9 billion between 2012 and 2017.

The sector is expected to keep growing, as forecast by the UK consultancy Verdict Retail. “Sales in airports will grow by 73% from 2013 to 2019,” predicts Verdict Retail analyst Carly Syme. “We anticipate the most impressive growth will come from the Asia-Pacific region, where the market is expected to more than double in size.

In Europe and North America, growth should be stronger than in the past few years due to the sluggish economy. This outlook promises huge opportunities for companies in the sector.”

“The British prefer tobacco and alcohol, while the Chinese spend more on luxury goods.”

Dufry's performance is the result of these underlying trends, but also from takeovers made over the years. In 2009, it acquired the US group Hudson, with its vast network of shops in the United States and Canada, firmly establishing the retail group's presence in North America. In June of this year, Dufry took over its Zurich-based competitor Nuance, a decision hailed by analysts. “The two companies are very complementary,” says Rene Weber, an analyst at Vontobel Bank. “Nuance makes 80% of its sales in Asia and Europe, while Dufry is more active in North and South America. The deal makes Dufry the leader in nearly all regions.”

MARKETING HEAVEN

“We reach more than 1.8 billion potential customers





Jeju Airport [South Korea], 2007 © Martin Parr/Magnum Photos

every year,” says Dufry spokesperson Lubna Haj Issa. “These customers are easier to identify and target than in a traditional store. Through the location and departure cities, stores know precisely how to adapt their offer”, she explains. “In Brazil, most customers in airport arrival areas are Brazilians looking for fragrances and cosmetics. The British prefer tobacco and alcohol, while the Chinese spend more on luxury goods.”

In the future, Dufry plans to focus on emerging markets and new tourist destinations. Most of its projects are located in the EMEA region [Europe, Middle East and Africa] and Asia. The company forecasts a favourable economic climate and stepped up organic growth for the second half of 2014 but has not reported any specific numbers.

“Dufry is in a pivotal phase with the acquisition of Nuance,” notes Rene Weber from Vontobel. “With the synergies created by this deal, we expect a positive performance in 2015 and a rise in the share price to 180 Swiss francs by August 2015.” Marco Strittmatter, an analyst from the Zurich Cantonal Bank, shows less enthusiasm. “The share is unlikely to increase much in the short term. Industry growth is definitely attractive, and Dufry’s acquisition of Nuance was a success. But these variables have already been factored into the current share price.” ▲

DUFN



ACCOR ENGENDERS CUSTOMER LOYALTY

The longtime players in the hotel market have been shaken by online booking sites such as Booking.com and Expedia, and are making up for lost time. Accor, the French hotel group and leading European hotel operator, is revamping its customer strategy.

By Jean-Christophe Piot

Companies such as Booking and Expedia accounted for just 5% of overnight hotel reservations in 2000. Today however, online travel agencies (OTAs) are behind 35% of reservations and are making a tidy commission. Hotels are increasingly dependent on these online intermediaries and are now having to compete with sites such as Airbnb that override the traditional offer by putting individuals in direct contact with each other. This threat has not however affected the business travel sector.

With a billion visitors having already reserved their hotel rooms online, OTAs are currently the biggest worry for hotel operators. According to François Houste, tourism marketing expert and CEO of the Parisian travel agency LSFe-tourisme, "Hotel operators originally let it happen, seeing it as a way to save money. Online travel agencies were bringing in more customers and saving operators from investing in expensive IT systems to manage the new flows. But today they find themselves trapped by unfavourable contractual conditions."

As well as earning large commissions ranging from 10% to 25%, OTAs do not send visitor feedback to hotel operators. It is impossible to build and maintain a reliable client base

in these conditions. As a result, receptionists have been reduced to merely giving customers their room keys – an absurd situation given that OTA deals cannot be lower than those offered directly by hotels.





Mar Del Plata (Argentina), 2014 © Martin Parr/Magnum Photos

“The greatest challenge is making customers aware that they will pay the same prices whether they reserve with Accor or with Booking”, says Xavier de Buhren, an analyst at the Mirabaud group in Geneva.

It is indeed a challenge, given that over time the OTAs have amassed enough information to provide them a considerable advantage. “Tourists can compare prices in real time, read comments from previous visitors

and look for promotions”, says François Houste. “Only the luxury travel sector has avoided being included in online booking sites.” And to top it all off: OTAs have an extraordinary advertising power that hotel operators, whether independent or part of a large group, lack the means to match. For example, Booking.com spends almost \$1 billion just on Google AdWords every year.

RECONNECTING WITH THE CUSTOMER

It is becoming indispensable for hotel groups to reconstruct a direct link with the final customer, by bringing them extra service quality, multiplying loyalty offers and adjusting their prices more carefully.

Accor, the leading European hotel group and the sixth largest in the world, is a typical example. The French group owns some 15 brands and provides a complete service offering ranging from entry-level accommodation such as F1 and Ibis Budget to luxury rooms such as Pullman and Sofitel.

“Accor is gradually placing online services at the core of its distribution strategy”, says François Houste. But the investment comes at a price: the company spends €120 million on its digital strategy every year. This seems like a lot, but Accor needs to catch up with its US counterparts in terms of customer loyalty. “Less than 50% of Accor’s 35 million customers are members of the group’s loyalty programme. In the USA, this figure can reach up to 70%”, says Xavier de Buhren.

This explains the group’s concerted efforts. As well as its online portal accorhotels.com and increased presence on the social media, Accor launched its “Away on Business” app for business customers last year. The free app can be used to keep an interactive travel log in 19 countries. As well as traditional functions such as reservations and a calendar, the app offers a range of additional services, including maps, advice for tourists and a selection of exhibitions and restaurants. “The group is already thinking ahead”, says Xavier de Buhren. “It is counting on the huge rise in reservations made on mobile devices, which should make up 70% of its volume in the short term and strengthen its knowledge of this technology.”

Other experiments are becoming a reality: in France, Accor is testing out the idea of “Welcomers”, a mix between a receptionist and a travel rep. It is now up to the Group to provide added value to customers through bespoke advice. Another sign of the times is that Accor is planning to customise its hotel lobbies, distancing itself from the soulless world of uniform hotel receptions.

“The group is on an upward trend, and its digital strategy will only push it higher.”

PROFITABLE STRATEGIES MEAN SATISFIED MARKETS

And the strategy seems to be paying off. While a third of reservations were made online in the first half-year, 15.3% of them were made through OTAs compared with 17% through the group’s websites, marking a 20% rise in a year.

In another promising sign, Accor is organising a “Digital Day” in London on 30 October 2014, which should be an opportunity to boost investments in the sector.

OTAs should not, however, be systematically viewed as rivals. Announcing Accor’s first-half 2014 results, CEO Sébastien Bazin said that the group should work with OTAs on certain brands, referring to Ibis in particular, which struggles to fill rooms at the weekend.

Bearing out the group’s strategy, the first-half 2014 results reassured analysts and the markets. Overall revenue is up 2.8%, with the group posting net income of €60 million compared with €34 million in first-half 2013. “The only call for concern is that the French market is

down 3.6%”, says Xavier Buhren.

“But the group is on an upward trend, and its digital strategy will only push it higher.” ▲



AC

EXPEDIA DEVOURS ITS COMPETITION

The US online-booking specialist is seeing explosive growth. Just what it needs to feed its voracious appetite for acquisitions: Portrait.

By Jean-Christophe Piot

The former Microsoft subsidiary has certainly grown up since it was founded in 1996. Driven by the development of its hotel reservation business, Expedia is now worth \$10 billion. Annual growth is nearing 20%, and its share has risen more than 30% in one year on the NASDAQ. The Bellevue-based company now controls top-notch brands and subsidiaries, such as Trivago, Hotels.com, Hotwire and Egencia, its online agency specialised in business travel. This growth has consolidated its position throughout a network accessing over 325,000 accommodation partners worldwide.

Expedia's business model is based on two main operations: direct sales (54% of revenue) and travel booking services (27%), with a fringe benefit of selling advertising space and e-marketing campaigns (8%). For direct sales, Expedia buys blocks of hotel rooms and train or plane tickets, and then sells them online. As an agency, Expedia acts as an interme-

diary. It lets the hotels and other travel service providers set their own prices and earns a commission on each transaction. This second business turned out to be the better performer last quarter, confirming a trend that was already noticeable in previous months.

However, Expedia faces increasingly intense competition in the United States, especially from Booking.com. To protect its margins, the group has engaged in a long string of acquisitions to diversify its revenue sources and develop outside the US market. Within the space of a few weeks, Expedia recently bought two new companies, the Australian Wotif and the French AutoEscape. Its takeover of Wotif.com follows its purchases of other brands in the Asia-Pacific region including lastminute.com.au, Asia Web Direct, GoDo.com.au and Arnold Travel Technology. This spree has more firmly established Expedia's foothold in the region, where the travel sector is growing fastest.

After revolutionising the hotel industry, Expedia is now clearly set on transforming the car hire sector. Its intentions became apparent when it bought the start-up AutoEscape, a site used to compare car hire prices from Avis, Ada, Hertz, etc. The acquisition, its first in Europe, will expand its CarRentals.com brand, a similar North American site. More importantly, the move confirms Expedia's strategy, as it simultaneously signed a global partnership deal with Sixt, a German car hire company and a leader in Europe.

And this strategy has paid off. "The sound financial performance in the second quarter and sharp growth rates on international markets are a positive sign," says Andres Cardenal, an analyst for The Motley Fool. "Its strong results on international markets and diversification policy suggest a bright long-term outlook." ▲



EXPE

Hugo Boss Swaps Suits for Skirts

The German fashion label, known for outfitting an international male population, has installed a new designer to woo a female audience. To boot, the brand is widening its distribution efforts with particular designs on the Chinese market.

By Varinia Bernau



LUCAS JACKSON / REUTERS

Jason Wu, the star designer at Hugo Boss, at the show for the brand's Spring/Summer 2014 collection in New York.

One January evening in 2009, Michelle Obama wore an extravagant white crêpe dress to celebrate her husband's inauguration to the presidency of the United States. That night, designer Jason Wu shot to international fame. Born in Taiwan, the man behind the US First Lady's dress grew up in Canada and, at 32, is now responsible for repositioning the Hugo Boss brand.

The German fashion house has entrusted Michelle Obama's favourite designer with the creation of its women's collections. The brand, which is well-known for its men's suits, is now hoping to seduce a different clientele. Antoine Belge, analyst at HSBC, said: "Hugo Boss is already a big player in high-end women's fashion. Only Armani and Max Mara are markedly ahead". Sales reached 250 million euros last year, and with women's fashion making up just 11% of the brand's revenue, there is clearly room for improvement. Thanks to its new strategy, Hugo Boss also hopes that the new female clientele in its boutiques will go hand-in-hand with attracting new male clients.

This year Hugo Boss hopes to allocate more than half of its advertising budget to promoting its women's collections

Some stores, such as those in Stuttgart and Shanghai, have an entire floor dedicated to women's fashion, which already gives a glimpse of how Hugo Boss sees its future. Some 40% of sales are made on 30% of the surface area, says the company's CEO Claus-Dietrich Lahrs, after a quick calculation. This year Hugo Boss hopes to allocate more than half of its advertising budget to promoting its women's collections. Success in this segment will be a big victory for Lahrs, who has directed the company since 2008. Indeed, several attempts to boost the segment have met with failure in the past.

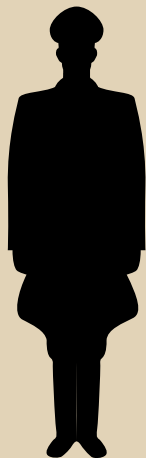
Lahrs' predecessor Bruno Sälzer left amid reported rows, joining the women's fashion house Escada.

Hugo Boss has decided to revitalise its women's collections in a commercially difficult environment and as consumers are tightening their belts. Germans spent 49 billion euros on clothes last year, 3 billion euros less than in 2000. Other German manufacturers such as Seidensticker and Strenesse were hit hard by this market contraction. Hugo Boss has 12,500 employees and results continue to progress, albeit at a slower pace than in previous years. The company's revenue rose by 6% in 2013, reaching a record 2.4 billion euros. Although impressive, this increase



The Queen of Spain Letizia Ortiz, in a Hugo Boss gown at Oviedo (July 2013).

The spectre of the 1930s



The Hugo Boss story began 90 years ago in Metzingen, near Stuttgart, when Hugo Ferdinand Boss founded a small clothing factory. Like other German textile businesses, the company flourished in the 1930s and during the Second World War, thanks to the clothing demands of the Nazi troops, the SA, the SS, the Wehrmacht and the Hitler Youth. This is of course a dark period in the group's history. Following the founder's death in 1948, his son-in-law Eugen Holy took over the business, and began making men's suits.

was still the smallest for a long time. The company posted EBITDA of 565 million euros, up 7%. The CEO's first prediction was revenue of 3 billion before 2015. Although this figure still seems within reach, the company has postponed its objective of reaching EBITDA of 750 million euros.

Since taking over as CEO, Claus-Dietrich Lahrs has implemented savings measures, a strategy made easier by the financial crisis. The new initiatives included redundancies and negotiating better conditions with subcontractors, such as reduced prices and extended payment deadlines. In parallel, he also narrowed the collections and expanded the brand's network of boutiques. Lahrs has put his money on rapid growth, a wager some say is influenced by the majority shareholder Permira.

DEVELOPING SALES IN BOUTIQUES

Last year was the first time Hugo Boss earned more from sales in its 1,000 own-name boutiques than in department stores. The share of sales in boutiques should reach 60% by 2015. Lahrs nevertheless believes the brand needs to stay present in high-end department stores such as El Corte Inglés and Peek & Cloppenburg. But these structures do not exist in China, which is why Hugo Boss has decided instead to open boutiques there, as well as in most of the world's largest commercial hubs.

And there are many advantages to an own-name distribution network, including supervision of every part of the supply chain, better customer care and the freedom to decide how products are showcased. The rotation of stock is also better in these boutiques, and the till certainly doesn't suffer; when Hugo Boss sells a suit at 600 euros in a department store, roughly half of the money goes to the outlet. Within its own boutiques, however, the brand can improve its margins. Sales figures can also be seen immediately, making restocking more efficient.

On the other hand, opening a boutique demands a large initial investment which means the operation is not without risk. If the client is unwilling to spend, the group's high fixed costs remain unchanged. This is made all the more difficult by the fact that Hugo has often had to sign leases of over 10 years. In contrast to the German brand, Louis Vuitton and Burberry, which also have a network of own-name boutiques, have the advantage of selling expensive accessories such as handbags and belts. With a similar boutique surface area to Hugo Boss, they can generate higher revenue, and the entrepreneurial risk is more profitable. Critics of Hugo Boss have blamed the CEO for not investing more in the renovation of existing boutiques. It seems his expansion

By the numbers

6%

Growth in 2013 revenue, reaching a record high of €2.4 billion.

12,500

Number of Hugo Boss employees worldwide.

11%

The share of the brand's revenue generated by women's fashions.

60%

Target share of in-store sales set for 2015. In-store sales currently represent slightly more than half of department store sales.



Michael Jackson in a Hugo Boss suit on the cover of the legendary album «Thriller», released in 1983.

When Hugo Boss sells a suit at 600 euros in a department store, roughly half of the money goes to the outlet

strategy still has some way to go before convincing the sceptics.

Today Europe is still the largest luxury market and the most profitable region for Hugo Boss, generating more than 60% of the company's revenue. However, current conditions in Europe are far from favourable, and the Chinese market has slumped after enjoying strong growth over the last few years. The anti-corruption policies applied to the Chinese authorities have had a negative impact on the demand for luxury products. Claus-Dietrich Lahrs sees Chinese tourists as more attractive clients than domestic

consumers, but this theory has not stopped Hugo Boss gearing up for the next wave of growth in China with an expanding network of boutiques, a strategy praised as intelligent by Antoine Belge.

China currently accounts for just 10% of the brand's revenue. "Hugo Boss is still suffering from mistakes made by its Chinese business partner. The brand had too many boutiques, many of which were in unfavourable locations and stocked products which do not appeal to Chinese tastes", says Antoine Belge. The management team had to review its strategy. Due in part to long-term leases, the company will have to wait a while before reaping the rewards of its expansion. In the medium term, the Group has estimated that the Chinese market is potentially worth 400 million euros – two times its current sales figures for the country. Hugo Boss is looking to appeal to women through its adverts, and the brand will have to optimise how it communicates with Chinese women to meet its objectives. ▲

 BOSS



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OPPORTUNITY FOR ALL

FX markets are known for offering an efficient trading environment, available to a wide range of participants, each with his or her own motives and goals. While popular for business and hedging purposes, FX trading is also useful for concretizing macroeconomic views (via the right exposure to a set of currencies). This multi-goal setup can be profitable for both short-term and long-term strategies.

THE ART OF INVESTING

FX markets can be highly volatile, due to the large number of non-commercial traders taking part in the process. However, this is also what makes for efficient, nearly instantaneous, FX pricing: the valuation of underlying tradables (CFDs, futures, options, etc.) continuously takes into account all the information available as news flows in.

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This means that thorough follow-up is the key to success in the FX market, where traders face volatility, temporary trend reversals and sharp fluctuations. Proper portfolio management requires

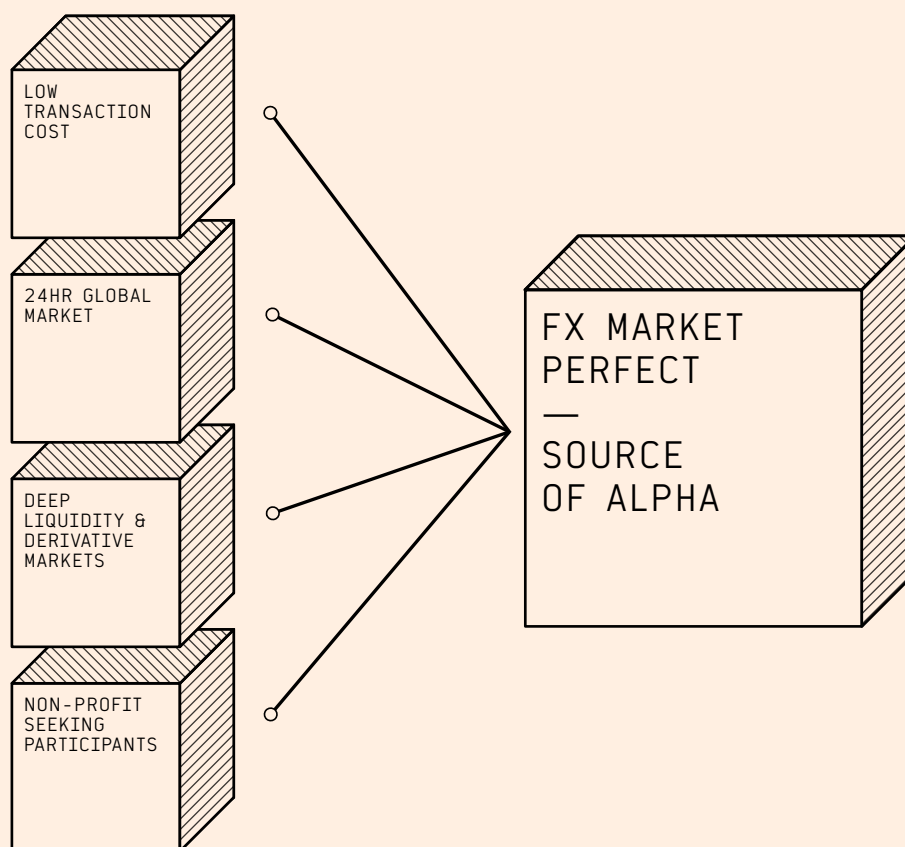
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an accurate understanding of opportunity triggers, as well as the support of sophisticated calculation methods. This, in a nutshell, is the art of investing. And the winners are

not those who make good guesses, but those who act at the right time. A trend follower should take a position as early as possible to maximize returns, while a mean-reversion practitioner chases reversal points to sell the tops and buy the dips. And because it would be impossible for traders to digest the masses of new information on their own, modelling becomes crucial. There are two principal parts to artful investing: timing and direction. Without these, the market will quickly usher a trader toward the exit. Getting into a trade at the right time and in the right direction is a great challenge. And this is where Swissquote's SQore application comes in handy.

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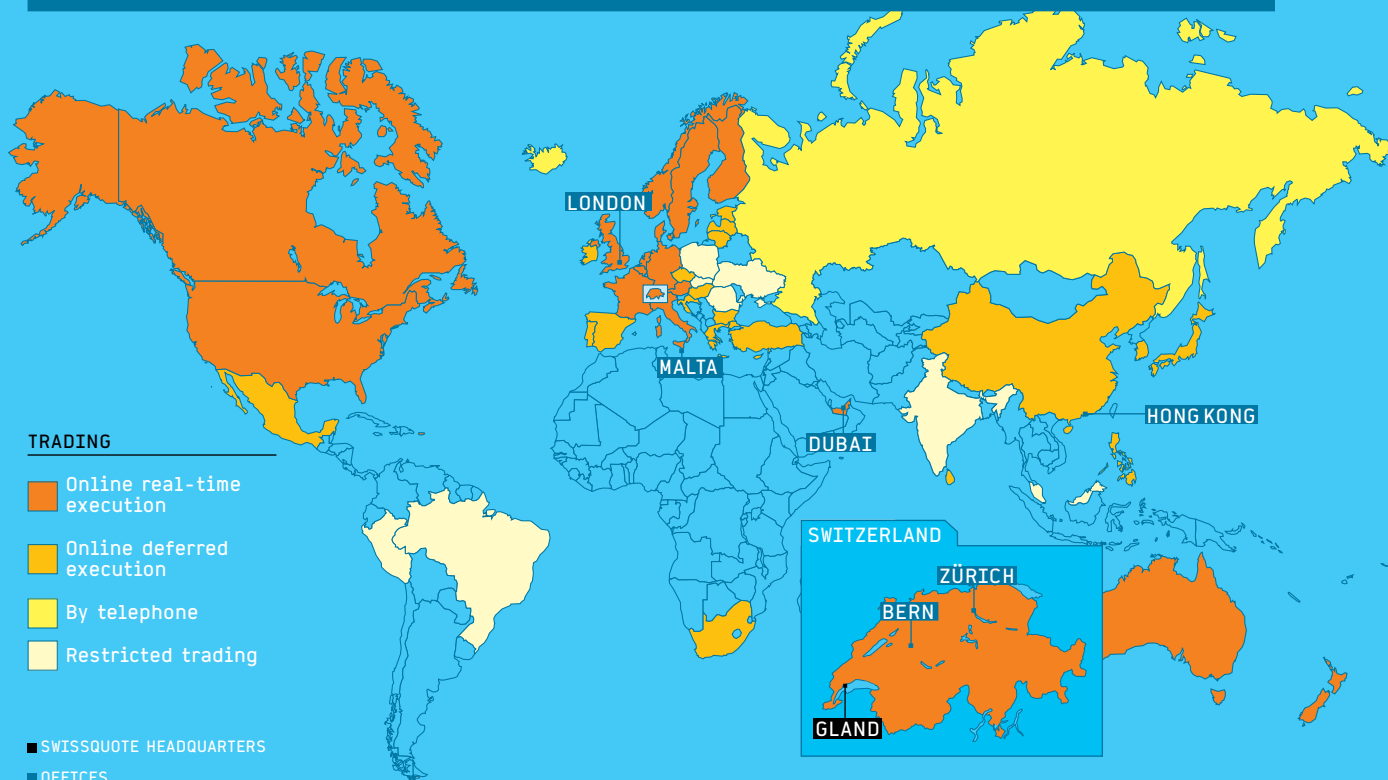
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Ipek Ozkardeskaya
Market Analyst

Swissquote Bank

MAP OF SWISSQUOTE'S GLOBAL TRADING ACTIVITIES



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TO READ

GIRLBOSS

By Sophia Amoruso (Penguin, 2014)



The young, beautiful and brainy Sophia Amoruso founded Nasty Gal, a successful online clothing company that now generates revenue of \$100 million. Rather than going to college, she roamed around and held a long string of menial jobs, attributing her success to this experience. "Girlboss" tells her unusual story.

BUSINESS ADVENTURES

By John Brooks (Open Road Media, 2014)



This collection of twelve business articles first published in 1969 retraces the adventures of companies such as Xerox, General Electric, Ford, etc. "Business Adventures" owes its fame to Bill Gates, who received it as a gift from Warren Buffet in 1991. Gates has read it many times since and considers it the best book in its genre.

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[iPhone, iPad, Android]



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[iPhone, iPad, Android]



For those who don't have unlimited mobile

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DRIVE ELECTRIC

[iPhone, iPad, Android]



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app that shows the public charging networks (more than 50,000 worldwide) and their location. Plugshare can also be used to prepay online and connects electric car owners so they can share tips.

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AUTO

FILLING UP ON SENSORS

Driverless vehicles are on a fast track to becoming the cars of the future. Increasingly sophisticated technology assists drivers at the wheel and is now spilling over into lower-segment vehicles. Here is an overview of some of the latest models.

By Philipp Müller



Undoubtedly marred by the perilous expeditions of their Viking ancestors, the people at Volvo have always favoured building sturdy fortresses on wheels over flimsy wooden contraptions. The Swedish inventor of the modern seat belt has never stopped improving the safety of its cars, even setting the ambitious target of “zero fatalities” in its new vehicles by 2020.

To make this goal a reality, passive safety obviously plays a crucial role. However, focus has shifted more to progress in accident-avoidance strategies. The second-generation XC90, a brawny SUV fresh off the stage at the Paris Motor Show, not only sends warnings to drowsy drivers, it even guides them to

the nearest rest stop. But that’s not all: the car automatically reads a wide variety of road signs. And its auto-braking system is triggered in the event of an emergency and when it detects an approaching vehicle at a crossroad.

There is no going back. While waiting for the next revolution of completely self-driving cars – modelled after the Google prototypes – car builders and equipment manufacturers continue to develop the scope of existing driver-assistance systems, making them smarter and improving their decision-making capacity.

These technological advances are gradually trickling down into lower market segments. They are not always as

efficient as on the high-end models, but nonetheless valuable improvements. City cars and other compact sedans now enjoy automatic parking assistance and even turn the wheel after measuring available space to the front and rear of the vehicle in reverse parking, as well as to the side, a new feature.

Many of these models automatically switch between dipped beam and full beam headlamps. Some even monitor blind spots with sensors embedded in the side mirrors to make it safer to overtake cars by warning of potential dangers. These systems typically use ultrasonic sensors, but a single wide-angle rear camera, like that on the Nissan Note (Safety Shield option), can also do the job.



GOOGLE

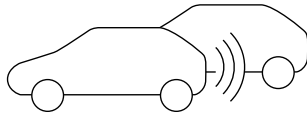
The “Google Car”, a two-seater prototype revealed this summer by the US internet giant, is fully self-driving.

One of the most jaw-dropping assistance features is hands down the speed regulator that measures the distance between other vehicles. This technology, often paired with an anti-collision system, is breaking new ground. Now it can quickly slow vehicles to a complete stop and handle traffic jams without a flinch. Volkswagen has integrated this type of Tempomat radar in its new Polo, a first in this segment of the car market, offering proof that small cars are ready to tackle the motorway. Sometimes they are even the first to innovate. For example, Ford has come out with the clever new MyKey system on

High-end is getting even higher-tech

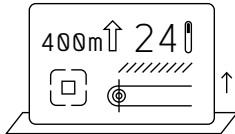
On-board GPS navigation systems on high-end vehicles are treading new territory. These days, the device is used to do more than just guide the driver. It connects with the predictive drivetrain management system on new BMWs and with the lighting systems on the Audi A8 to adjust the beam and its range to road conditions. The car can pick up uneven surfaces, bends in the road or entry into a town for a head start on adapting the gear ratio and selecting the appropriate lighting. The purpose of these interconnected systems is not only prevention. They can also call emergency services following an accident and indicate the vehicle's

geolocation. Safety assistance systems are the most popular; but others exist that improve comfort at the same time, such as Magic Body Control on the Mercedes Class S, along with Road Surface Scan. This is actually a stereo camera that monitors the road to adjust tyre suspension just in time before gently gliding over that bump and immediately returning to impeccable body control. The Mercedes S Coupé debuted Active Body Control, a system that forces the car to tilt into a curve to counter the unpleasant effect of lateral acceleration, all the while perfectly staying on course.



NISSAN NOTE 2013
SAFETY SHIELD

The wide-angle rear camera on the Nissan Note detects other vehicles when overtaking.



MINI COOPER 2013
HEAD-UP DISPLAY

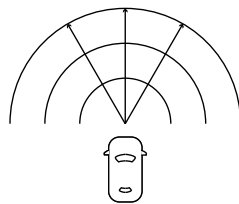
On the new Mini Cooper, driving information can be projected at eye level in a head-up display (option).



its Fiesta. This option can set the top speed and limit audio volume, in case the young'un can't be bothered with road safety.

On the premium end, like the Mini, head-up displays are all the rage. These transparent panels show driving information at the driver's eye level on the windscreen. The English icon has been spruced up with controlled shock absorbers to improve road handling, adaptive LED headlamps and even a camera for reading speed limit signs. All of these luxuries are inherited from its parent company BMW... and come with a price tag.

Small crossovers are also entitled to some good electronic wizardry such as traction control systems (Peugeot 2008 Feline, Fiat 500L Trekking or Renault Captur) capable of pulling a two-wheel drive car out of loose ground. The Skoda Yeti has thrown awesome hill start assistance into the mix that maintains a constant speed and controls braking when descending steep slopes. The Opel Mokka is unmatched with the Opel Eye camera and its forward collision alert system.



OPEL MOKKA 2013
CAMERA OPEL EYE4

The camera on the Opel Mokka has a forward collision alert system and reads road signs.

What lies ahead in the near future? Although it may not be a car that drives itself, it could be one that finds a parking space then meets its master in front of the cinema after the film is over. But with the amazing on-board comfort and entertainment systems now available, no one may ever want to get out of their car again. ▲

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TRAVEL

BETWEEN TWO OCEANS

Both wild and sophisticated, Panama is much more than a canal. From the tropical paradise of the San Blas Islands to the deserted beaches of the Azuero Peninsula, the country has something for everyone.

By Julie Zaugg, back from Panama

Aerial view of the San Blas Islands,
made up of more than 350 islands



BEN KUCINSKI

The propeller plane flies over the jungle at low altitude. Reaching the coast, the aircraft touches down on a landing strip, a sliver of grey in the middle of an immense stretch of green. From there, a motorboat crosses the few hundred metres of sea to Uaguinega Island. The name means “dolphin” in the native Guna language.

The sea is a deep turquoise blue. Now and again, a sea turtle comes to the surface. Only about 50 of the surrounding islands are inhabited. The others look like little piles of white sand topped with palm trees, untouched by any human presence. They are part of the San Blas Islands, an archipelago made up of more than 350 islands in the Caribbean Sea off the coast of Panama.

Time seems to have stopped here. Days are spent swinging in a hammock, swimming along the coral reef or visiting Guna communities. “This native people remained completely isolated from the outside world until the landing strip was built in the early 2000s,” says Daniel

Carbone, one of the managers of the travel agency Panama Travel. “So they’ve preserved most of their traditions.”

Living mainly from fishing, the Guna were driven out of Colombia in the 16th century. The ethnic group has yet to adopt a currency. “They trade coconuts to buy basic needs brought in by commercial boats from Colombia,” the Panamanian says. “The fruit is sold to make coconut-based products.” The coconut exchange rate, currently at 40 cents, is set every year by the Guna General Congress.

Guna traditions are also reflected in the women’s brightly-coloured molas, their traditional dress which includes blouses decorated with ornate embroidery, beaded leg wrappings and different coloured scarves. “Guna women wear this clothing after they marry,” says Daniel Carbone. “This shows the rest of the community that they are now at the head of a family.”

Only about 50 of the surrounding islands are inhabited

Panama is full of contrasts. “It is incredibly diverse for such a small country, with gorgeous beaches, mountains, urban settings and the jungle,” says Carolyn McCarthy, who authored the latest

WHERE TO STAY?

★ SAN BLAS ISLANDS



SONNY LUND TOURS

These islands offer several lodges with rustic bamboo huts (some have running water and solar panels). They serve three meals a day, generally consisting of seafood; and motorboats are available to visit neighbouring islands, the coral reef or Guna villages. The southern part of the archipelago offers less rudimentary accommodation, such as the Yandup Lodge, Dolphin Lodge and Akwadup Lodge. Accommodation with full board costs between \$30 and \$125 per person.

middle of the 19th century. But its development truly took off when the Panama Canal opened in 1914. The structure was originally operated by the Americans, who did not hand over control to the Panamanians until 1999. The canal is currently being expanded to accommodate larger ships (see article in "Swissquote Magazine" No. 3 / 2014, p. 43).

Arriving in Panama City is like approaching a forest of glass towers

Behind the capital's ultra-modern cityscape hides an architectural gem. "Casco

Viejo, or Old Quarter, is a UNESCO World Heritage Site," says Diana Ortiz, a Panama specialist for the travel agency Au Tigre Vanillé. Filled with half crumbling colonial buildings and magnificent Spanish churches towering over shady squares, this old city brings to mind the decadent beauty of Havana or Salvador de Bahia. "The quarter has been completely transformed and renovated over the past ten years," says Carolyn McCarthy. "It now has a lot of trendy bars and restaurants."

Panama City is also the ideal base for visiting the surrounding sites, such as the Parque Nacional Soberanía (Sovereignty National Park), with its many tropical birds, or the Parque Natural Metropolitano (Metropolitan Nature

edition of the travel guide "Lonely Planet Panama". "Since the Americans were in the country for so long, the infrastructure and roads are good." Along with Nicaragua and Costa Rica, Panama is one of the Central American countries that have been spared from violence and drug cartels.

Arriving in Panama City is like approaching a forest of glass towers. Standing along a vast bay, they give the city a Miami-esque shoreline. Now with a population of nearly one million, Panama City has been an international financial and business centre since the construction of the railway linking the Atlantic and Pacific Oceans in the

ROGER SCHULTZ



Panama City Bay



RITA WILLAERT

Park), a bit of real jungle in the heart of the city. And of course the famous Panama Canal. "This architectural marvel is fascinating in itself," says the Lonely Planet writer. "It also offers surprising opportunities, such as kayaking among the trees filled with monkeys and toucans."

But Panama is also an isthmus, a tiny strip of land only 75 kilometres wide and wedged between two oceans. "Each side has its particularities," says Carolyn McCarthy. "The Atlantic side is closer to Caribbean culture. The cuisine features a number of spicy, coconut-based dishes and the sea is calm. In contrast is the Pacific side with its huge, surf-ready waves and exceptional marine

life —whales, whale sharks, sea turtles— due to the cold ocean currents."

A must-see on the Pacific coast is the Azuero Peninsula. Nicknamed the Tuscany of the Tropics for its landscape of rolling green hills, the jutting land mass is home to many traditional villages known for their colourful festivals. The village of Pedasi, just a few minutes away from two deserted beaches, provides an excellent base for exploring the region. In season (July to early November), a night boat ride to Cañas Island is a great way to watch olive ridley sea turtles, an endangered species, as they emerge from the sea to lay their eggs on the beach in the moonlight. Unforgettable. ▲

★ PANAMA CITY



JULIE CAUGES

The American Trade Hotel, in a restored colonial building, is a haven of peace in the heart of Casco Viejo in Panama City. Some rooms have a terrace with a panoramic view overlooking the bay. The restaurant prepares refined Panamanian cuisine, offering octopus with salpicon, plantain and scallop-filled empanadas with passion fruit. A double room is priced at \$200 dollars, and a suite at \$400.

★ AZUERO PENINSULA



R

Casa de Campo is a family home transformed into a hotel in the centre of the village of Pedasi on the Azuero Peninsula. The large rooms feature natural stone bathtubs and lovely woodwork. Guests have access to the pool located in the middle of a tropical garden full of palm trees and hammocks. A hearty breakfast of eggs, fruit and fresh bread is available. A double room goes for between \$100 and \$165.

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A real kicker

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www.naihanli.com

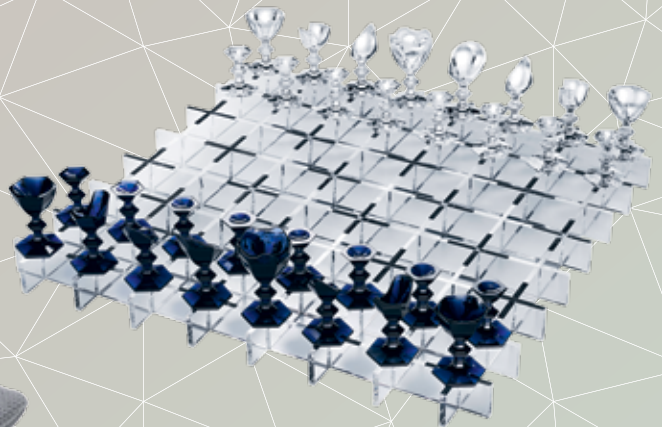
About \$12,490

Copy that

A logical next step in the 3D printing boom: get ready for the 3D scanner. Light and easy to use, with the 3D Sense from Cubify users can make a 3D scan of any object by circling it with the device. 3D Sense will then make a physical copy using the printer. Mind-blowing.

www.manor.ch

About \$620



Your move

To celebrate its 250th birthday, Baccarat is releasing a luxury chess set in partnership with Nendo, a Japanese design studio which has already made its mark with Cappellini, Cartier, Fritz Hansen and Armani. The hand-crafted pieces are inspired by the famous Harcourt hexagonal base goblet, a signature of the French crystal house.

www.baccarat.com

About \$28,300

Charge it!

New York-based artist Kevin Lyons has joined forces with Xoopar, a French accessory brand for gadget-heads, to create an emergency battery for the Parisian concept store Colette. A limited-edition rubber case houses a mobile charger for smartphones, compatible with all mobile phone brands with a USB port.

www.colette.fr

About \$60

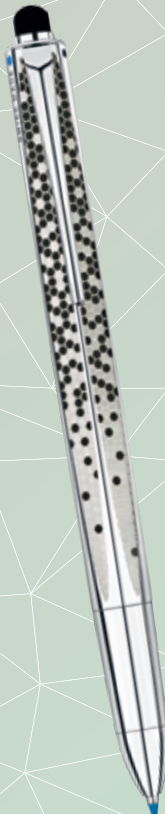




Wildly projecting

What is the must-have for globe-trotting film-lovers? The X-project pocket-sized projector gives you a cinematic experience whenever you feel like it, both inside and outside. It boasts a resolution of 854x480 pixels and a projection size of up to 152cm, and has a two-hour battery life.

About \$395



From page to screen

Decorated with pixel patterns, the RNX.316 Multifunction immediately sets the scene. The ballpoint pen from Caran d'Ache is equipped with blue, black and red ink cartridges, and transforms via a push button on the top into a high-tech tool for navigating touchscreens.

www.carandache.com

About \$320

A real shoe in

With showrooms in Zurich, Fribourg and Montreux, Le Majordome is a young Swiss brand producing made-to-measure shoes perfectly adjusted to the shape of each individual's feet. After being analysed by a scanner, the customer chooses the model, point shape, leather and sole. And as they say, if the shoe fits, wear it!

www.lemajordome.ch

About \$530



Time in a bottle

Italian designer Giulio Lacchetti has developed an adjustable bottle-rack based on stackable components, to complete the Noè collection for Alessi. This aesthetic yet practical storage solution is perfect for keeping your finest bottles in the optimum position for conserving wine.

www.alessi.com

About \$85



SHOP

CLOCKWORK



Your wake-up call

Blancpain has added to the Billeret collection this year with its “Reveil” model. With its traditional design and iconic serpentine hands in blue-tinged steel, an integrated alarm clock couples two features: a mechanical alarm function and a clock with a second time zone.

www.blancpain.com

About \$25,050



All at once

Vacheron Constantin has unveiled a platinum version of its “Traditionnelle Heures du Monde” watch. Celebrating the precious metal, the special feature is intertwined with the Geneva-based company’s history, and sets itself apart by giving the time in 37 time zones – including those staggered with UTC time.

www.vacheron-constantin.com

About \$104,570

Light on time

As its name suggests, the Zenith El Primero Light-weight’s special feature is its minimal weight. With a 45mm carbon and aluminium case, this technical and sporty timepiece owes its featherweight quality to its titanium and silicon composition, weighing in at just 15.45 grams and delicately decorated with a skeleton dial.

www.zenith-watches.com

About \$18,500



Now you see it

The hour hand is hidden under the minute hand, only appearing upon the push of a button. A second time zone plays the same game of hide-and-seek behind a generic “GMT” text. This is the concept behind the latest innovation for Hermès, entitled “Dressage, l’Heure Masquée”. A stylish and poetic dual-time-zone timepiece for urban travellers.

www.hermes.com

About \$20,695



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In each Swissquote Magazine, an artist describes his or her creative process. This month, we feature the Swiss actress and columnist Laura de Weck.

“I like listening to the homeless.”

By Laura de Weck

“I always carry a notepad with me. I write down discussions that I hear in the street or things I pick up here and there. I recently saw a young couple kissing. Suddenly the young girl snapped, ‘Why don’t you close your eyes when you kiss me?’ The guy replied, ‘If I do, I get dizzy.’ I love those bits of conversations you hear. They may seem ordinary but reveal a lot about our doubts and desires. I especially like listening to the homeless. All they have is their alcohol. In their utter destitution, they speak a language that is as simple as it is existential.

I also jot down a lot of quotes taken from political and economic columns in the press. I try to deconstruct their language, test its limits, perhaps expose it. We say a lot of things, not to talk, but to give a flattering image of ourselves. Language acts as our shield. I’m interested in how these tactics fail. When you listen carefully, you realise that they often do fail. Not only on a day-to-day basis but also in society.

An obsessive theme frequently emerges from the discussions I’ve compiled in my notepad. It may be a very general topic like death or something more concrete such as how the Swiss talk about foreigners. This language foreshadowed the outcome of the initiative against mass immigration of 9 February. People would label foreigners as expats, economic refugees, krauts, etc. I studied these labels in my play Schengen Area, and they are now reflected in politics.

Once I defined a theme, I would begin in-depth research in the media or conduct interviews, followed by the first drafts to give the text a



LATIF PETER REGAUD

Actress, playwright, director and columnist, Laura de Weck was born in Zurich in 1981, the daughter of media veteran Roger de Weck. Today, she is a rising star in Swiss theatre. Laura de Weck is most highly acclaimed for her show Schengen Area, a “linguistic concert” about the serious problem of immigration, sometimes adding a humorous touch.

certain content and form. When they work, these drafts would be developed further by the actors and musicians until opening night. That’s why I began doing my own shows. I didn’t want to finish them at my desk. I wanted to keep working on them during rehearsals.

In acting, writing or directing, I’m actually always doing the same thing. I always ask the question ‘why’. Why am I saying this sentence? Why am I writing this sentence? Why is this sentence performed this way? And why is any of that important? I can’t always answer these questions with words. It’s often my intuition that tells me that it’s right. But in the theatre, a scene can appear perfectly executed one day and a disaster when performed the next. That’s both the beauty and cruelty of this art.” ▲



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